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THE OIL BANKERS

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PROLOGUE

The sun beat down on the city with a fierce, white heat. It was 10:30 in the morning and the thermometer already stood at 104°F. White walls and black roads shimmered in the heat while the new glass and concrete buildings reflected a glare which defeated even polaroid lenses.

A few years ago the sun had beaten down just as fiercely, but Riyadh had been a smaller town then; full of narrow streets where shadows and some degree of coolness were contained. With the coming of the great oil wealth progress had decreed the streets to be widened, old buildings to be replaced with the large and the shiny, and as a result the shade had been destroyed and the crushing intensity of the heat had increased.

Businessmen and tourists from the West and other more temperate parts of the world clung to their air conditioned bedrooms, offices and cars and only ventured into the outside world for the briefest possible periods. The Saudis, like other Arabs, had always grown up with the sun. A few extra degrees did not make much difference. Even so no one lingered on the burning new streets though in the old, and as yet undisturbed, parts of town merchants and peddlars sat by their stalls and their piles of goods, and haggled and drank coffee with their customers as the business of buying and selling went on in its customary way.

Deep in the cool recesses of one of the old walled houses a group of five men sat in a sparsely furnished room. The leader, Mohammad Khaled Abu al-Khail, known to his followers as al-Mahdi--the divinely guided one--lineal descendant of the great prophet Mohammad, faced the other four across a bare stretch of marble floor. Al-Mahdi was tall for an Arab standing almost six feet. He had a thin, gaunt frame, dark skin, deeply hooked nose and burning black eyes that bored their way into and transfixed all who could return their gaze. Al-Mahdi sat upright, commanding, motionless, but attentive, like a statue of some forbidding bird, listening to one of the four in front of him, Abdel-Aziz, who began to speak.

"Salam alekum, al-Mahdi--peace be on you al-Mahdi."

"We-alekum salam, Abdel-Aziz--and on you be peace Abdel Aziz," replied al-Mahdi.

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"Our preparations are complete," Abdel-Aziz continued." The funds have been moved into the agreed banks, the codes have been organized and approved, the signalers are at their stations, and if Allah wills it his servants will carry out their tasks as arranged."

"Al-hamdu li-llahi Rabbi l-alam--Praise to God, Lord of the Worlds--," al-Mahdi replied. "The servant plans, but the Lord executes. What is your view of our German, Swiss and Japanese bankers, Hisham? Will they continue to do our bidding when the pressure on them mounts?"

"Only Allah knows what will happen in the heat of battle," replied Hisham. "We have taken many precautions. The money flows will be closely watched by our own network. They will report on the patterns of currency movements as they develop. If they differ from the plan the bankers will answer with their lives. Greed, power and fear are the ruling elements in their world. Each knows he stands to win a fortune or lose everything including his life if his behavior should displease you."

Nodding his head at Hisham, al-Mahdi turned slowly to face the man seated closest to his right and said.

"Salam Alekum, Prince."

"We-alekum salam, al-Mahdi," replied the Prince.

"You have heard the reports, you have seen our state of preparedness. The funds are in place and it appears that the currency markets are in a receptive state. It is the will of Allah that we destroy the infidel and restore Islam and its true believers to their rightful place in the world. Prince, the King of the day of judgement awaits our decision to begin."

Silence descended on the room as Prince Fahd, born Prince Ibn Abdul al-Kabif Fahd, of the royal family Fahd, rulers with the royal family Saud of the Kingdom of Saudi Arabia, closed his eyes to protect himself from the two burning black eyes that bore in at him, demanding his decision. Prince Fahd murmured a prayer as he steeled himself to give the word that would launch a tidal wave of selling on the currency markets of the world.

Prince Fahd had studied business and finance in England and the United States and had worked in international banking for several years. He knew well, like other bankers, brokers, and speculators, that if you had enough money you could run a company's share price or the price of a commodity as far up or as far down as you liked. The trick was to have enough money and

to be in at the beginning, to start the landslide, get it well under way, and then get out while the rest of the world was rushing around trying to get its share of the profits.

The problem he faced today arose from the sheer size of the funds at his disposal. Months ago Mohammad Khaled Abu al-Khail had come to him with his divine mission. In due course Fahd had been persuaded that al-Khail was indeed al-Mahdi destined to deliver Islam from the grip of the Western economies. Vast sums would be needed to carry out al-Mahdi's plan. These sums would be risked against the destruction of the Western economies and the restoration of Islam to the centre of the world. Prince Fahd's cousins as well as their neighbors had used the weapon of their oil against the West. The highly priced oil had generated vast sums of money, but it had not really altered the balance between Islam and the West.

Prince Fahd's cousins did not want war with the West, not yet anyway. They had met and approved of al-Mahdi and supported his aims. But they were not in a hurry. They liked their new wealth, their stature, the attention world leaders paid them, the gold and other coins that crossed their palms. In the fullness of time Allah would lead his faithful to their rightful place. Until then it was prudent to make the most of what Allah in his bountiful wisdom had already provided.

Prince Fahd did not have their position or their patience. Slowly he opened his eyes and returned al-Mahdi's demanding gaze.

"Al-Mahdi," said the Prince in a hard, low voice, "you have led us onto the path of wisdom and light. You have bidden us to launch a holy war. Your men have done their work and made their preparations. We have prayed, we have fasted. The time is ripe. Go now and begin. May Allah, the God Most High, protect us on our journey—tarig es-selame, al-Mahdi--a journey of peace, al-Mahdi."

"Allah Yesellimek, Prince--God give you peace, Prince," replied al-Mahdi as the Prince and his assistant rose, bowed and left the room.

Chapter 1: 9:15 a.m. London

Thomas Whitmore, Managing Partner of Whitmore, Tyler and Gilbey, better known as Whitmore's, a small but influential London bank, was not used to being pushed around. He was athletic, energetic, and only forty-five, and he much preferred to do the pushing himself. But this morning like each morning for the last two weeks the foreign exchange dealing room was swamped with activity. Dealings world-wide were verging on the chaotic. Dealers in the mid and far East who ought to be in bed, worked the night through relaying instructions, taking and unwinding positions. The London morning opening did not occur now as dealing rooms were manned by most banks twenty-four hours a day, and were seldom quiet even in the earliest hours of the morning.

Whitmore's was modest in size only. It employed some forty-three persons including a cook and a butler. As a bank it specialised in international business of all kinds and had built up over the years--years which stretched back to the early days of international trade done in the coffee houses in the late seventeenth century--a formidable reputation and capacity for doing business. Whitmore's could afford to remain small in numbers because its business was based upon world-wide personal connections.

Whitmore's believed--a belief which had been reinforced over the years--that in all countries, no matter what government was in power, there were never more than a few individuals who really mattered. Whitmore's had always taken their prime task as knowing and being known by those few individuals. To do this job well one had to be small and exclusive. Those who mattered in each country's affairs, after their years of struggle to the top, only wanted to deal with others at the top. Thomas Whitmore, the eldest son of an eighth generation merchant banking family, firmly believed in this policy, and had resisted all efforts of his partners to expand the bank into what he thought were non-essential areas. In so doing Whitmore's had retained its flexible, exclusive position. But no amount of position or flexibility could cope with world-wide financial chaos particularly on the present scale. Someone, or much more likely some group of someones, were treating the international currency markets as though it was a game of monopoly. Foreign

exchange rates were being pushed back and forth in unprecedented amounts. In simple terms it meant that huge sums of money were being moved in and out of US dollar, German Deutsch Marks, Japanese Yen, Swiss Francs, Sterling, Kuwaiti Dinars, and the other trading currencies. Sterling was having a particularly bad time. Considering the sums of money that had to be involved it suggested that the someone or someones not only had access to extremely large sums of money but that they also wanted Sterling to go down. The ups and downs had been wild but throughout it all there was the feel of a strong downward trend in the value of the Pound, a trend that seemed to be progressing at a deliberate and menacing rate.

Thomas Whitmore, a tall, spare man with dark hair, neatly dressed in a dark suit and tie with a blue and white striped shirt, rose from his desk in the spacious partners' room and walked over to the conference area where his partners were gathering for the morning meeting. Each morning at ten they held the day's main meeting. 'Morning Prayers,' it was called, and like the religious event to which it was compared the meetings followed an established pattern. In the first few minutes each partner reported on his own department's affairs and asked for such advice as he thought fit. Attention was then given to any new or pressing business. Coffee was served and, if there were time, the partners would sit back in their comfortable leather chairs and discuss more general matters.

Today there was no spare time. Each of the five partners was deeply concerned with the state of the foreign exchange market. Such rapid changes in exchange rates affected the entire bank's business operations. Routine matters were dealt with quickly and then Thomas Whitmore looked up from his papers and said:

"We appear to have an additional problem. I have been asked to see the Prime Minister at 10:30 this morning. I can only imagine this meeting has to do with the state of the currency markets. I gather the Governor of the Bank of England is to be the only other person there. While I am naturally delighted to see that Whitmore's have been asked in I can only presume we have run into a major national problem. What do you make of the situation Douglas?"

Douglas Moffat, Doctor of Philosophy in Science and Mathematics, Fellow of the Royal Institute of Actuaries, and usually to be found dressed in tweeds rather than dark bankers clothes, and Whitmore's specialist in foreign exchange replied.

"The main problem is trying to grasp the sheer size of the movements that are taking place. Last week, for example, the value of Sterling as measured against Deutsch Marks, US dollars, or Swiss Francs varied over a range of 25%. On Tuesday we were up 12% over the previous week. By Friday we had not only lost that gain but we were down 10%. The weekend has been fairly quiet and I had rather hoped some of this storm had blown itself out. But this morning Sterling is already off 3%. We are now trading against US dollars at \$1.503 and against the Swiss Franc at SFr 3.253. I don't want to bore you with the other currencies, but the story is exactly the same. The Lebanese £ pound which some years ago used to trade at 5.35 to our pound, now stands at 2.25. Sterling has dropped by over 70% against the Kuwaiti Dinar and the Saudi Ryal. None of these middle-Eastern currencies are vital in world trade terms, but their relative values are very important to their own countries. Not that long ago, as Arabs measure time, these economies and currencies were linked directly to Sterling and US dollars. What the West did affected them directly and immediately. Now, of course, the shoe is on the other foot.

"Sorry for the long preamble," continued Douglas, "but the point I am getting at is this. The size of the movements in the foreign exchange markets are so great that they could only be achieved if very large sums of money are being used. What I do not understand is the objective. Why would anyone want to smash the system which gives every currency its value?"

"Timothy have you any view?" asked Thomas. Timothy Stevens, young, stocky, ruddy complexion, neatly dressed, was Whitmore's specialist in Arab affairs. Like Douglas Moffat he too had taken a Doctorate degree but Timothy's was in Modern and Arabic Languages. Over the last ten years Timothy had spent over two-thirds of his time living and working in the Arab world. He had spent eighteen months in Dubai, two years in Kuwait and almost three years working in and out of Saudi Arabia travelling the length and breadth of that hot, windy and dusty land. In these years he had built up his own consultancy, a consultancy which specialised in how to meet with and treat the Sheikhs and leaders in each of these countries. Timothy had always seen his job as that of knowing and being known by everyone who mattered in the oil producing states. When he was approached by Whitmore's three years ago he had liked Thomas Whitmore and after a considerable amount of thought had

agreed to a merger of their interests. As far as Timothy Stevens could see Whitmore's and his objectives matched well and being a partner in Whitmore's gave him much greater statu Stat is very important to Sheikhs made wealthy and powerful by their most marvellous gift from Allah--the beautiful black gold which poured forth from their vast desert wastes.

Over the three years he had been with Whitmore's Timothy became less of a consultant and more of a principal. Whitmore's clients expected to get the very best advice. They also expected swift, executive action if the need arose. Few clients enjoyed the journeys to the hot and windy Arabian peninsula or for that matter to the other more attractive parts of the world. It was their money all right, and if anything went wrong they would want to know why. But equally the bank charged large fees and chose to earn them by having its partners carry full responsibility.

For Thomas Whitmore, christened Thomas St. David Etherington Whitmore, it was only right, proper and natural that as Managing Partner he should be responsible for his decisions. It was not so natural for Timothy Stevens and the two others like him. But Timothy was learning fast and what pleased him most was he found he enjoyed the process thoroughly.

"As you know I only got back from Kuwait last Thursday," said Timothy, "I told you my main impressions then. I still believe that there is a special group of the Big Five at work. Wherever I went I was well received. I talked and listened for five days non-stop. I travelled, criss-crossed and cross-checked what people said, where they were going and what I could discover. I met a complete blank wall. Usually I can find a little corner somewhere, an opening big enough to yield to a little pressure, but not this time."

"Thanks Timothy. It doesn't really get us much further but I wanted everyone to hear first hand how little we seem to know. Does anyone have any other ideas?"

There was a general shuffling of chairs and coffee cups, but no one had any comment to make. At Whitmore's anyone was free to contribute if there was something to say. Some banks still clung to the outmoded code of 'speak not unless spoken to.' Not at Whitmore's, who were rightly proud of their hard working and well knit executive team. At the moment it was simply a case that the experts had said their bit and no one else had anything to contribute.

"Right then, I shall be off in fifteen minutes to see the Prime Minister. With any luck I will be back by 12:00 to 12:30 p.m. I would suggest we meet then. If I am delayed or anything I will get a message through to Miss Samantha."

Miss Samantha Derry, medium height and build with greying hair, was the executive secretary to the five partners. Other girls were employed to type letters, reports, file documents, record transactions and generally take care of all the detail. 'Miss Samantha,' as she was affectionately known, had literally run the bank for years by the simple and time honoured technique of running the partners. Samantha had joined Whitmore's twenty-three years ago and for the last fifteen had been the executive secretary. Her job included being aware of all their commitments, travel plans and arrangements and keeping sufficiently ahead of their individual schedules to allow each to know what the others would be doing if an important meeting had to be arranged either in London or elsewhere. Samantha retained a friendly formality with all the partners. Some had tried hard to break down her reserve but each had abandoned his attempt to scale these heights. Her office adjoined the partners' room, and she was on call to all the partners wherever they or she happened to be. Thomas Whitmore's uncle, Sir John, had been Managing Partner when Samantha joined the bank. He had impressed on her the timeless value of integrity and service. Samantha, knowing the value of a title, spurned the modern usage of Christian names and preferred to be addressed as Miss Samantha. She provided a service to the bank which was all Sir John could ever have required. It was Samantha who had taken the call from the Prime Minister's office, and it was she who now entered to give the partners the telex and other messages that had come in during the last half hour.

A quick look through showed that the world hadn't changed. Clients were calling or telexing from all parts of the globe. What was happening? What should they do? What was the bank doing? Should one account be moved out of Western Currencies and into Arab currencies? Would Sterling collapse? What about the loan commitments? Would they be honored? Could they be honored?

Countless questions about many particulars with each carrying an unspoken overtone of potential panic. In Thomas' experience investors seldom seemed to mind taking a risk—sometimes they went out of their way to

increase the risk. But investors did like to feel that they and their advisors could calculate these risks. Huge swings in any market upset calculations and if the swings kept increasing investors became upset, confused, worried and eventually afraid and panicky. It was Whitmore's job to sort the fears and confusions and reduce investment risks to nicely calculated sums. Right now it wasn't possible to do so. The best they could manage to do was to make gentle soothing noises and trust that before long some glimmer of light would appear. Once the outline of a problem came clear, training and experience would give a lead as how to deal with it. Certainly most storms were much easier to bear once they had arrived. It was the uncertainty and the waiting for the storm to break that got most people down.

Thomas signed the papers awaiting his signature, then talked briefly to his assistant. Some of the telexes needed an immediate reply. In most cases the reply was to hold all action until there was a better understanding of what was going on. One of the effects of fast world-wide communications systems was that clients expected answers to problems before the people involved in generating the answer had a chance to get together. No matter how fast the telex sped by satellite to Hong Kong or Singapore it still could take three or four days to get the necessary people together around a conference table. Heads of government and business hadn't changed much over the years. They still preferred to talk face to face. Satellite and closed circuit television were used when necessary. But it was still easier to say and keep secrets locked in a debugged conference room than when the communication networks were used. Thomas hoped that meeting with the Prime Minister would shed some light, though a light at the end of the tunnel could mean more than one thing. It could be an express train heading your way with its lights on.

Further thoughts were interrupted by Samantha telling him over his desk inter-com that Mason was ready with his car. Gathering his papers into his brief case he nodded to his partners in the room and then left by the main door to the staircase.

Mason had the door open as Thomas stepped from the bank. It was a lovely spring day and the daffodils, hyacinths and primulas in the window boxes were well stocked. He maintained that it was the little things in life which were important and if you were not very careful it was easy to

hurry by and miss all that pleasure.

Leaving the bank on Throgmorton Avenue they turned down London Wall along Moorgate and out into Princess Street. With the practice of many years Mason swung past one red bus and two taxis, crossed the interchange and headed down Queen Victoria Street to the embankment. Years ago, before OPEC and the tremendous rise in gasoline Mason had commanded the bank's Rolls-Royce Phantom. Then it had been more of a challenge to navigate the city's busy streets. When gasoline prices had risen, Whitmore's garaged the Rolls and replaced it with more modest transport. When gasoline prices did not come down but contrived to rise still further, both Whitmore's and Mason bowed to the inevitable and the Rolls was sold.

Chapter 2: 10:30 a.m. London

"The Prime Minister will see you now, Mr. Whitmore," said Jeremy Richardson the PM's private adviser. Whitmore was ushered into the PM's study and saw as he expected the Prime Minister and the Governor of the Bank of England.

"Thank you for coming Whitmore. You know the Governor well enough so let's get down to business. We seem to have rather a nasty problem on our hands and we would like your advice and help."

"As you know the foreign exchange markets are in an appalling state and the governor here has been telling me he thinks that a lot of this heavy trading is a disguised attack on Sterling. Do you agree?"

"I could give you a long winded answer Prime Minister, qualifying and hedging my bets. We discussed this question this morning and in one word we think the answer is Yes."

"Apparently you bankers think alike," said the Prime Minister, "and if its any comfort to you, it appears that you are right. Late last night I received the following coded message, coded in one of our own top secret military codes I might add."

"PRIME MINISTER, YOU WILL HAVE NOTED A CERTAIN LEVEL OF ACTIVITY IN THE FOREIGN EXCHANGE MARKETS OVER THE LAST TWO WEEKS. YOUR ADVISORS WILL HAVE BROUGHT TO YOUR ATTENTION THE POSSIBILITY THAT THIS ACTIVITY COULD BE A PARTLY DISGUISED ATTACK ON YOUR COUNTRY AND ITS CURRENCY. IN THIS MATTER BE ASSURED, YOUR ADVISERS ARE QUITE RIGHT."

"PRIME MINISTER, WE SEND YOU OUR APOLOGIES FOR THE DISTURBANCE WE ARE CAUSING YOU. NONETHELESS, THESE DISTURBANCES WILL CONTINUE AND INCREASE. OUR OBJECTIVE IS TO ACQUIRE CONTROL OF YOUR COUNTRY. TO DO SO IT IS NECESSARY TO DESTROY THE VALUE OF YOUR CURRENCY."

"PRIME MINISTER, YOU WILL APPRECIATE THE PROBLEM YOU FACE WHEN YOU BEGIN TO SOUND OUT YOUR INTERNATIONAL FRIENDS. YOUR BALANCE OF PAYMENTS HAS BEEN LARGE AND NEGATIVE FOR THE LAST FIVE YEARS AND THIS YEAR APPEARS TO BE NO EXCEPTION. YOU HAVE FINANCED THESE HUGE DEFICITS WITH OUTSIDE BORROWINGS AND ARE AT PRESENT COMTEMPLATING RAISING FURTHER FUNDS IN PART TO COVER THE INTEREST PAYMENTS DUE ON YOUR PRESENT BORROWINGS. ACCORDING TO OUR SOURCES YOU ARE PLANNING TO BORROW AGAIN WITHIN A FEW WEEKS. WHEN YOU ASK FOR THESE FUNDS YOU WILL FIND THAT YOUR FRIENDS WILL NOT LEND YOU

ANY. NO ONE LIKES TO FINANCE A CERTAIN LOSER, AND THAT IS WHAT YOUR COUNTRY HAS BECOME."

PRIME MINISTER, CONSULT YOUR ADVISERS AND INTERNATIONAL FRIENDS IF YOU WISH. WE WILL BE IN TOUCH WITH OUR TERMS AND CONDITIONS BEFORE LONG."

"That, Gentlemen, is the message I received. No signature. Just a plain statement that 'Our objective is to acquire control of your country' and incidentally destroy the value of Sterling."

"The message was introduced into regular military channels and because it was coded top priority to me it was immediately routed here. So far none of our military experts has any idea where the message originated. Well, that is just about all we know at the moment. What have you got to say Governor."

"I suppose I have been expecting something like this, Prime Minister. I mentioned this sort of thing as a possibility last week if you recall. My Foreign Exchange and Information Departments have been doing what they can to trace the buyers and sellers but in international markets this is an extremely difficult thing to do. On top of this our chaps must not look as though they are too eager for this information or everyone will wonder why. It doesn't take much of a whisper of trouble to start a major panic in the foreign exchnage markets these days. So far I fear I have to report 'no luck,' but now we have this direct statement of intent at least we know what we are in for."

"Thank you Governor," said the Prime Minister. "There was a chance you would have picked up some clues through your channels. Now I think it is time we brought Mr. Whitmore further into the picture."

"Mr. Whitmore, you have heard the Governor say, quite rightly, that early last week he thought the extreme movements in Sterling could be a prelude to an all-out attack. Apparently he was right. But what is perhaps more disturbing is that with a whole week to watch the international scene his staff has not been able to uncover any hard information concerning the source of the attack. As you well know, to mount a full scale attack on Sterling requires someone to command and control a massive quantity of funds. To the best of our knowledge there are only three countries or collections of countries which could finance such a raid. Whether they are acting as principles or only as bankers is something we must know if we are

to beat off this appalling threat. For make no mistake, if we lose this fight everything we value will be destroyed."

"Prime Minister," interrupted Whitmore, "you and the Governor say you have been expecting the attack and the message. You also say you have not been able to identify the country or countries behind this operation. I agree that the possible 'runners and starters' are few and far between. Russia and China either acting separately or together could both manage and finance it. So could one of a number of combinations of the the oil producing countries. But surely your Foreign Office Intelligence service would have picked up some evidence of activity if it were the Russians or Chinese?"

"Perhaps you are right," replied the Prime Minister, "we have asked the Americas for help in tracing the funds, but as the Governor has said we have gone very carefully so far."

"Yes," added the Governor, "I was on to Claymore, the United States Treasury Secretary, last night as well as Stoddart, the Chairman of the Federal Reserve Board. I couldn't tell them very much and they had even less of interest to tell me. They said that their chaps were doing all they could to track the funds as the currency changes were playing hell with their own exporters. Big business has a lot of lobbying power in Washington and when big business gets hurt it leans hard on government officials. They sounded harassed but were not helpful."

"By the way," interrupted Whitmore. "Just a moment ago we were talking about countries which could finance this attack. Have we missed one by leaving out the United States? We haven't really discussed motives yet, but I suppose we are all presuming that whoever it is is after our oil. Well, the Americans are the biggest consumers of oil, and we do still have huge oil and gas reserves. Our oil would save them vast sums."

"It is a thought," replied the Prime Minister. "I have trouble taking it seriously though. Their multinational companies are heavily invested in England and will be just as hard hit as we are by the fall in the exchange rate. The problem, as I see it, has several parts. Top priority must be given to discovering who is behind this attack. We have no idea how long we have got. The message said we could consult our advisers so perhaps we will be given time to do so. At the same time we must canvas

our international friends, in the normal way, to sound out the possibilities for a major loan. I don't really doubt the message. I am sure the people behind this attack will have done the necessary dirty work to stop us raising further loans. But we must go through the normal motions whatever the outcome. For it is extremely important that no one knows just how bad the situation is. Everyone can see that there is a run on Sterling, but if anyone guessed the full story the pound would collapse completely and there would be nothing we could do to prevent the takeover."

"I can see all that Prime Minister," said Whitmore, "but as yet I don't quite see what we can do to help."

"I was just coming to that bit. At Whitmore's you have a partner, Timothy Stevens, who is an expert in Arab affairs and who appears to be well connected in the Gulf states."

"That's quite right. May I ask how you know this?"

"Yes indeed," said the Prime Minister. "Over the last four years he has done some very useful work for our Intelligence Department. So far this work has not conflicted with his normal job so there has been no need to expose his 'cover,' as I believe it is called. However, we need him and you banking cover very badly now. He is the best man we have got to dig into the Gulf States. We have others out covering the major financial centres but we need Stevens to cover Bahrain and its neighboring states. There are only so many centres with communication systems that can handle this type of operation and Bahrain is one of them."

"Stevens is yours, Prime Minister," answered Thomas. "Is there anything else we can do?"

"Yes there is. It is vital to keep this operation secret. So the Governor here can't really use the full power of the Bank's Intelligence service. His men are too exposed and one wrong move would give the game away. Your bank, and particularly you and your staff, are ideally placed to mount and run this undercover hunt for the attackers."

"Quite right," interrupted the Governor. "Whitmore's has an excellent reputation and if you chase hard after information you will only be seen to be protecting your own and your clients' positions. If we do it, we immediately put the country at risk. We will do all we can to help you but on the surface we must appear calm and unhurried--rather like a swan

moving upstream unruffled and serene on top while paddling like hell underneath."

"Well, Gentlemen," said the Prime Minister rising, "I must ask you to sort the particulars out by yourselves. We don't have a great deal of time and I must see the Chancellor before he sets off on his rounds. I shall want a report as often as you can Governor. If you need anything please get in touch at once. If I am not here Jeremy Richardson will know where I am. Please do not speak with anyone else. Good day."

The Governor of the Bank of England and Thomas Whitmore rose, said goodbye, and were ushered straight out to Downing Street and their waiting cars.

"Come in my car, Thomas, and we can sort things out on the way."

Thomas nodded to the Governor and then talked briefly with Mason, his own driver. Within minutes they were on their way. Settled back in the deep, leather luxury of the Bank of England's 1955 Rolls Royce Phantom V, a great year for Rolls Royces as well as wines thought Thomas.

"Glad you don't mind our having a talk on the way, Thomas, but you have no idea of the problem we have keeping anything secret these days. No matter how frequently we have our offices checked for electronic bugs, somehow major decisions are known about almost before we have thought of them ourselves. I suppose it is a sign of our times. Few people can be trusted any more. That's why the PM and I decided on what must strike you as a peculiar arrangement using Whitmore's as the Head Quarters for the Gulf States part of this operation. It is also why the Bank still uses this vast gasoline drinking motor car. Some years ago, when the assassins and bombers appeared in London, the Bank had this car fitted out with extra steel plate and bullet proof glass. It turns out that the extra tough glass makes it much more difficult for laser microphones to detect what we are saying. So if we stick to busy routes with lots of traffic noise I can talk in here and be almost completely certain of not being overheard."

"I rather thought that is what you had in mind, Governor," said Whitmore. "I asked Mason to follow us in my car and if he spots anyone tailing us he will call your office at once."

"Now to business as the PM puts it," continued the Governor. "You know yourself just how tight the position must be. The PM and I reckon we

may have five to seven days before these chaps close in on us. In this time we have just got to penetrate their defenses, find out what they are really up to, and stop them cold. In their message they said we are not going to be able to borrow any more funds from our international friends--the International Monetary Fund, the Bank for International Settlements, and the World Bank, included. As you know, despite all our efforts, we are still running an annual balance of payments deficit of some £ 5 billion. Over one billion of this is interest payments on previously borrowed funds.

"What you may not know, is that over the last two weeks we have used up almost all our reserves trying to fight off the pressure on the pound. At the moment we stand as empty of funds and financial resources as the country once did of military equipment at the outbreak of the Second World War. If Germany had pressed her advantage immediately after Dunkirk we might not have been able to beat her off even with Churchill's rhetoric to help us. Right now we are in a similar position. Our currency and gold reserves, even valuing gold at its market price of \$435 an ounce, are just about exhausted. I have had to tell the foreign currency department to stop supporting Sterling. Naturally, I have asked for help, but if our attackers have done their homework as they say they have, we won't be able to get any support from the outside world."

"So there we are, Thomas. We will hold the fort at the Bank while you people get on with the job of finding out who is behind this attack. It smells like Arab money to me as there is just so much of it about. I presume they are after our oil and industry. They may even be after our beautiful countryside. Most of the Arab world is unrelieved desert. Boiling hot and windy in the day and cold at night. A lot of them make no secret of their desire to have another country away from the endless sun and sand and many of them live in Western Europe now anyway. But it is a nasty thought if they have decided to take the U.K. for themselves."

"Have you figured out how their attack is going to be followed through, Governor?" asked Thomas. "Do you think there will be some fairly obvious signs in the market or is the final thrust going to come as a bolt from the blue?"

"That's hard to say. At the moment the confusion in the foreign exchange market is so great that most people don't know what they are doing. It is like a major break on the stock exchange. Most investors stand back not knowing which way the market is going to jump next. But, if we are not going to be able to borrow any more funds, then it will be very much like a company going bankrupt. The lender of last resort will be the attacker. To keep ourselves afloat they will undoubtedly offer us the funds we require at their exorbitant price. Their price will presumably be control of our industry, oil and other resources. Not a pretty picture."

"Okay," said Thomas. "If that's what we have to look for I will get my team and contacts working. It will probably take twenty-four to thirty-six hours before all our agents will have reported in. Hopefully they will spot something of value. Certainly we will concentrate our efforts in the Gulf States. But while the PM rightly mentioned Bahrain as a likely spot, Beirut, Cairo and Teheran must also be likely contenders. Governor, if you will drop me off at the corner here, I will get back to my office and set the machinery in motion."

"No, don't get out. We can't have you exposed to too many risks, Thomas. It will be much safer and more reasonable if you come with me to the bank. You can leave by the side door which puts you very close to your street. A couple of our guards will be behind you and as the security people have already taken up positions on Throgmorton Avenue you shouldn't have any trouble. After all, the other side will know you are with me, so the least we can do for them is let them see you come and go from the Bank in the normal manner.

"One last word on security, Thomas. I know you are going to have to operate in the open, but do remember that everything you do is almost certain to be watched, recorded and reported on. I know you will be careful, but if one of your men should stumble across anything his life will instantly be in danger. On an operation of this size a few lives are of no consequence at all."

Chapter 3: 2:45 p.m. London

It was now afternoon and the partners had finished working out their battle plan. Thomas had not told them the whole story, and certainly nothing about the message to the Prime Minister. Only Stevens had been told everything. Intelligence would fill him in on anything else he needed to know. The others only had to know that the PM wanted to use Whitmore's to track down what was behind the upheaval in the currency markets. They had to be discreet, but top priority was to go to speed. Their clients as well as the bank's funds were at risk and Whitmore's special expertise in the Middle East ought to give them an edge on others in this hunt.

They had sat around the conference table with sandwiches and coffee and had worked out the details of what messages to send and what action to be taken. By 1:55 p.m. Timothy Stevens had left for the airport. There was a British Airways Concorde flight to Bahrain leaving Heathrow at 3:15 p.m. due to arrive at Bahrain's Muharrag airport at 11:15 p.m. local time. This was not the best time of day to arrive anywhere. But a flying time of five hours and a three hour clock change added to eight hours all told. It was hard to arrive at Muharrag from London at a decent hour of the day if you left in the afternoon.

Before Timothy had left, Thomas had gone to a corner of the large partners' room with him and had a brief chat. He told Timothy in detail of the meeting with the Prime Minister and that he now knew of Timothy's involvement with Intelligence. The assignment to Bahrain was clearly very dangerous, but presumable Timothy knew about these things. Timothy's cover was still to be the bank and he was to do his utmost to find out who was behind this attack on the currency. The Bank of England would give him all the support they could, but as it had to look like a Whitmore operation this support was going to be limited. Mason was then briefed on the route the Special Branch wanted them to take to the airport and Timothy had set off on his journey to the Gulf States.

With Timothy on his way and the first batch of telexes already going out over the wires, Thomas walked downstairs to the foreign exchange dealing room in order to get his own feeling for the present situation. Money dealing was always impressive if only for the frantic activity and sums of money involved. Whitmore's ran a dealing room of modest size. It had six

dealers each with an automatic telephone board with 200 lines in front of him. Of these 115 were direct lines to other foreign exchange and money dealers in London, 65 were direct lines to dealers in Amsterdam, Frankfurt, Hamburg, Paris, Zurich and New York, while the remaining 20 lines connected the dealer to the main money brokers in the Middle and Far East. Each line had its own light and at busy times a dealer's board looked like a Christmas tree of blinking lights.

As Thomas stepped into the room he was struck by the sheer frenzy of activity. All six boards were ablaze with blinking lights and the dealers were calling to each other announcing the bids and offers they were receiving. Money dealing is very high pressure work and dealers are always young as they wear out rapidly. Each transaction can be for many millions of pounds or the equivalent in other currencies. The bank's job is to match buyers with sellers at an agreed price. In the normal times a call on one line to sell five million US dollars at a given rate against Sterling can be matched in ten to thirty seconds by the dealer finding a buyer at the stated rate on one of his other lines. Offers to buy or sell are called out by the dealer so that the others can keep up with any movements in the market. As dealing activity builds up not all offers are called out as the pressure to complete transactions grows.

It also happens that the size of transactions tend to grow with increasing activity. Speculators sensing a move in the market come in with large orders—to buy or sell. In turn the size of these orders stimulates others to follow suit and the total volume of transactions rises dramatically. As Thomas stood there he heard three offers called out to sell on thirty millions of Sterling for US dollars. The rate offered was \$1.4325 down on the morning rate of \$1.5025. It was clear the dealers were having trouble finding buyers even at that price, and within moments the price had fallen again. With hundreds of millions of pounds flowing out of Sterling and into dollars and other currencies the value of the pound just had to keep on going down.

Normally, Thomas would be pleased to see such activity in the dealing room. The bank charged a small percentage of the sum transacted. As the volume of transactions went up so did the bank's income. Now it was different. With Sterling under such concentrated pressure it wouldn't have much value by the end of the week. One could literally stand here in the middle of a dealing room and witness the death throes of a currency. Again in normal

dealers would close their telephones at 3:00 p.m. and spend the next half hour or so tidying up their books so that the transactions they had made could be picked up by the secretaries for processing that evening. Usually the room would be deserted by 4:30 p.m. For the last two weeks things had altered dramatically. The rest of the world just would not shut down any more. The dealing room had to stay open if Whitmore's was to provide the service others required. The bank now ran a three shift service. The second shift was a full complement of dealers and secretaries. They came on at 3:00 p.m. and worked through until midnight. The third shift varied in size depending on who could be obtained. Half strength was the target as one just never knew when some bright eyed dealer in the Far East would be possessed with the desire to buy or sell. Most of the other London banks stayed open with a skeleton staff and it was always surprising to see the quantity of money that was bought and sold each night.

As Thomas was standing there the second shift changeover began. Hurried conversations between calls allowed the new man to pick up the feel of the market from the dealer he was replacing. Outsiders frequently laughed at the thought that dealers had to be 'worked in' over a period to get a feel for the market. If one were thrown into the middle of an active market one had no idea who to get in touch with first, which telephone lines led to buyers and which to sellers, who was active today and who was not. The changeover took anything up to half an hour to complete. Offers and bids poured in and washed around the room. Other banks changed their teams at about the same time so it wasn't too long before a new set of dealers were manning the market's nerve centres.

Nodding goodbye Thomas left the dealing room. The pound sterling was in there being destroyed by market forces being manipulated by the unknown attackers. Markets were peculiar things. They were fickle and sensitive and reacted to all manner of peculiar events. They could also be stampeded. Carried by its own momentum a whole market could rise or fall in absurd amounts if there was enough volume of movement. Right now the speed of the fall coupled with the sums of money involved was building a momentum that would frighten the wits out of normal traders. Anyone who held cash balances in Sterling would be getting out of Sterling and into some other currency just to avoid losing any more. During today alone the value against the US dollar had dropped by over 4.5%. Fifteen years ago a devaluation of a

currency by 10% to 15% was considered a major and possibly shattering event. Politicians would pour forth their explanations why it wouldn't affect the pound in one's pocket. Economists and other pundits would fill the press and television with dire warnings or congratulations on the steps that had been taken. Those days, Thomas reflected, had long since gone. Now one could devalue by almost five per cent between breakfast and mid-afternoon, without anyone saying a thing. Perhaps we are all stunned by the speed of the fall and the strength of the attack, thought Thomas. For there really is nothing anyone can do. British citizens were forbidden to hold foreign currencies. In effect the man in the street was compelled to stand by and watch the destruction of his currency without being able to lift a hand or even a finger in its defence.

Thomas was deep in these thoughts when Douglas Moffat burst out of the telex room carrying a sheaf of messages.

"I think we are making a bit of progress. I have asked all our main dealer contacts around the world, but particularly in Europe and the Middle East, to pin down the source and volume of their major trades. They must all be pretty worried by what is going on. Some of them used to deal on their own account, but in markets like these one can be wiped out in minutes. So everyone gets very nervous and I think they will cooperate and do their best. This lot of messages are acknowledgements and most have expressed concern by adding a comment or two. I am trying to sort out the activity we are seeing here. It is not too difficult to pull out the larger transactions and note the buyer and seller. But it's going to be a real nightmare of a jigsaw puzzle trying to fit all the pieces together.

"Don't worry about completeness, Douglas," said Thomas. "I know you have a mathematician's passion for neatness. We are just not going to have time for that type of approach. As the data starts to come in get Richard and Alan to help you sort it out. It is going to be hard work to create order out of this apparent chaos. But there must be a pattern to this flow of funds and it is up to us to find it."

Turning with apparent resolution Thomas Whitmore climbed that stairs back to the Partners Room and went in search of James. James Percy Witherington, tall, elegant, bachelor, man-about-town, was the bank's investment specialist. It was James who managed the bank's portfolios. Over the last five years he

had done extremely well. James had many 'golden rules' which he trotted out only when he scored a success. His favourite was to observe that the major difference between a good and poor investment manager was being good at deciding when to sell. When clients pressed him to build up a large stake in a certain company, James would remind them that a name on a share certificate had never yet helped a company to run better. To affect the fortunes of an enterprise one had to become active and involved. The ownership of shares could only guarantee the delivery of headache and worry.

Behind this facade of chat, courtesy and good humour, James was a hard, calculating professional investment manager. His family had been involved in banking for generations and James had inherited a fine nose about people, investments and money. Investment management like banking, always boiled down to people. Either they were worth backing or they were not. Balance sheets and income statements could be made to read and say whatever one liked. Though James had the deepest respect for the auditing and accounting profession he always had half believed the quotation of author unknown which went:

"The accountant wanted to be captain of the team, but the team would not let him play and gave him instead the job of scorer. So, in revenge, the accountant developed a system of scoring that no one else could quite understand."

An intelligent man determined to commit fraud has endless opportunities. And the world of investment ran into its share of thieves. The trick was to spot the bad situations quickly, and if possible step aside before getting hurt. If one did get caught, it was necessary to go right on in and help sort the mess out. This approach could lead to taking some nasty losses. But over time one's position became known and respected. Clients with big funds to invest almost always wanted safety before profit. If one ran into a mess and stayed to help tidy up this counted for a lot more with clients over the long run than a spirited dash for the exit. The threat to all forms of investment is liquidity. And in times of trouble it is simply not possible for all investment funds to get through the exit door at the same time. If one stayed to help, people were grateful for the effort. It was good for business too as clients always had friends, and all it took was an occasional good word and the friends in turn became clients.

James was very good at this job and sat on the investment boards of a number of major funds. The prime requirement for successful investment was to keep in touch with the major movements of funds. As least half of his time was spent in traveling, talking and reading.

Ten to fifteen years ago there were only a few financial centres which really mattered--London, New York, Frankfurt, Singapore and Hong Kong. Now with the vast oil revenues flowing through the Middle East--Beirut, Cairo, Teheran and Bahrain had to be added to the list. The total revenues of these countries over the last four years had been over \$500 billion. One cannot pour such vast sums into under-developed areas without opening up fantastic opportunities. No one could ignore these centres though it was not always easy to assess or even understand each and every proposition. Over the last few years James had concentrated on the Middle East and had begun to believe he had quite a good feel for that rather special world. As Thomas came over James was finishing a telephone conversation with the head of a large pension fund. James said "goodbye," hung up, and turned to look up at the tall, commanding figure of his Managing Partner.

"Well, sir," said James, "the world is in a sorry state. George over at Prudential has closed down his entire investment team. He is so worried by the chaos in the foreign exchange markets that he doesn't want the funds to do anything but stay in cash. I tried to reason with him because whatever happens to Sterling there are lots of other possibilities. After all we have done very well over the last few months in commodities as well as silver and gold. But George seems to have lost confidence in himself and his judgement."

"James, I need to talk with you about the markets," interrupted Thomas. "You know the problem we face--trying to discover who or what is behind these fantastic movements in exchange values. You know the world markets, what do you really think is going on?"

"That is a difficult one Thomas," replied James. "I haven't said very much at our meetings for the last few days as I have been so unsure of where we all are. Up until ten days ago I agreed wholeheartedly with Samuel Johnson when he said: 'No man is so harmlessly occupied as when he is making money.'"

"Now I am not so sure. The chaos in the markets looks organized. And organized chaos on such a scale is done only for vast profit. When hardened

investment managers like George at the Prudential start to panic then something very powerful and dangerous is loose in the world."

"Long ago we all recognised that to be a success in investment management one has to play for the medium and long term. If short term opportunities arise, well and good. A quick profit always makes one feel good. But the real return on clients' funds is made over time and not in a lucky instant. So one has to be very careful about trends and even more careful about spotting changes in trends. If one jumps on and off band wagons all the time one is almost certain to lose money. But as a famous American author, Adam Smith, put it, 'If you keep your head when all about you are losing theirs, maybe you haven't heard the news.'"

"Okay," interrupted Thomas, "let us look at the problem another way. Suppose you had unlimited resources--say \$400 billion--which is as close to unlimited resources as even the Arabs appear to have come. Suppose you had control of these funds and, in your own words, you wanted to achieve a vast profit. Suppose you decided that you would make this profit by playing with the foreign exchange markets. How would you go about it and what would you do?"

"The first problem, Thomas, is to understand the incredible size of the funds you are talking about. You just said 'take a fund of \$400 billion and make vast profits in the foreign exchange market.' Well, it would not be too difficult to make vast profits on paper, but to realise the profit so that cash was available for reinvestment--without wrecking the markets in the meantime--that is a much more difficult task. For as I said the first problem is the sheer size of the funds we are talking about."

"A very good rule in the investment business is to reduce the sum of money to the level of normal human life and values. One of the easiest things to do is spend other people's money. So if you reduce big sums to small ones then you have a much better chance of assessing the risk and possible return. Once you are working in millions it is so easy to fall into the habit of rounding to the nearest half or quarter million. And in spite of inflation a quarter of a million pounds or dollars is still a lot of money."

"To come to grips with a billion is just about impossible to do," continued James. "In money terms I am just not able to relate a billion

to anything meaningful. So I have tried another route. If you take time as a base there are 60 minutes in an hour and 24 hours in a day. So there are 1,444 minutes in a day and 525,600 minutes in a year. So every year we live through some five hundred and twenty-five thousand minutes. Well, there are just under two years' worth of minutes in a million so there must be just under two thousand years' worth of minutes in a billion. To be more precise, one billion minutes is the number of minutes in just over nineteen hundred years. That is a lot of minutes. And you would need to be paid one pound note every minute for one thousand nine hundred years to have a billion pounds: as you can see one billion is just a very large number. Four hundred billion is so large a number I honestly doubt whether anyone can come to grips with what it might mean."

"James, you are obviously right about understanding the notion of a billion," replied Thomas. "But the revenues for the major Arab oil producers have been over \$400 billion over the last few years. So whether we can understand the meaning of the numbers or not they have received this cash and we have collectively had to produce the funds to pay these bills."

At this moment Douglas Moffat joined Thomas and James brandishing a sheaf of papers.

"I think we are beginning to see a pattern emerging," said Douglas excitedly. "A few of our continental friends have replied and when we compare their data on major trades with ours it looks as though there is a link among the transactions. For example, we have identified six transactions, of roughly \$50 million each which passed in and out of several currencies over the last three days. It would be impossible to prove that it was the same lots of \$50 million each time, but the coincidence of movement is pretty convincing. All of these lots started in Sterling and passed through Deutsch Marks and/or French Francs to wind up in US dollars. Another collection of lesser sums also started in Sterling but passed through Swiss Francs and various Arab currencies before winding up in US dollars. I say winding up, only because that is where our data stops. For all I know these dollars have been converted back into other currencies by now."

"Douglas, we know that there is a run on Sterling taking place. What we need to do is identify the source of the funds. Take those six of

\$50 million. Can you find out who sold the Sterling? Was it money already in this country deciding to leave? Or was it someone outside the country selling Sterling he does not own in anticipation of buying the same amount back at a lower price some time later. Get on to the Bank of England, ask for Robbins or Peters in the foreign exchange department, and get them to help you track these trades down. You are going to find many more transactions like these ones at \$50 million so round up all the help you can get."

Turning back to James and waving away Miss Samantha who was hovering on the edge of the group, Thomas said, "James, please go back to your \$400 billion. It is just desperately important to answer the question how one moves such huge sums in and out of currency markets. Take Douglas' lots of \$50 million. It takes twenty of those to make up a billion and eight thousand of them to account for \$400 billion. In the last three days' worth of trading Douglas has identified six of these lots, each of which has probably passed through two, three or more currency changes. The problem is to find the starting place. In what currency were the funds when the game began, and into which currency will the funds wind up when the game is over?"

"One way to try and answer your question," replied James, "is to suppose that all transactions in Sterling are short sales. That is to say, suppose every time someone converts some Sterling into another currency he is selling pounds ^{hoping to buy them} back at a later date at a much lower price. You told us at lunch time that the Bank of England has been supporting Sterling and has just about used up all its reserves so doing. Well, in these markets and with the huge sums you are talking about, this wouldn't be hard to do. After all, our total reserves which were published only a few months ago stood then at some \$10 billion. A determined seller of Sterling could sell \$10 billion worth over a space of three weeks by limiting himself to a daily sales quota of some \$500 millions. In a short period of time Douglas picked up six sales of \$50 million each which originated here in the U.K. I suspect that these lumps are part of a cover exercise. The \$500 million a day, if that is the current rate of selling in Sterling, will be made up of a mountain of modest sized deals spread around the world. And if the Bank has let other central bankers know it is supporting Sterling our reserves of \$10 billion would be eaten up very quickly indeed."

"In effect, James, you are saying that a fund of \$400 billion can be moved in and out of the currency markets. And if the people involved only devoted one-fortieth of this fund to short selling Sterling it would take up the entire country's reserves."

"Well, of course, it really is more complicated than that," replied James. "Because once anyone starts a major movement in a market a whole crowd of other investors jump on the band wagon. If the smart money is pulling out of Sterling, then every corporate treasurer of every major international company has to get all his funds out of Sterling and into some other currency. It takes a lot of work as well as the right economic and psychological conditions to start a run on a currency. But once a run begins it doesn't take much effort to keep it going. Currency and stock markets react to mass psychology. Once someone or some event sets a major trend in motion everyone goes along with the trend or is swamped by it."

"How could one check on the currency dealings of the major international companies?" queried Thomas.

"Once again it is easier said than done. Take just the US major multinationals. The top 500 companies in the US have a combined sales revenue of over \$900 billion and combined net after tax profits of some \$45 billion. They employ a total of some 17 million people. Although their money flows exceed those of the oil producing countries, the big difference is that a company consumes most of its sales revenue creating the surplus called profit. Some of the oil producers cannot consume all their revenues and they are generating truly surplus funds. So even though the multinationals are very big, their surplus funds are nothing like as large as say what Saudi Arabia and Kuwait have got. Nonetheless, when they leap on a currency bank wagon they can move well over a billion dollars a week. And that is just a lot money."

"Mr. Thomas, the Governor of the Bank would like to speak with you," interrupted Miss Samantha. "I said that you were rather busy, but he is on the line himself." As Thomas turned to pick up his telephone, those last few words of Miss Samantha's gave him the first good chuckle of the day. Here they were, in the middle of an appalling crisis, trying to sort their way through a labyrinth of tangled ends and despite this top secretaries still tried to protect the importance of their boss. Secretaries maintained status by getting the other party on the line first. It was a sign of success when their boss was the last to join the conversation. In this case, Samantha had contrived to get the Governor onto the line ahead of her Mr. Thomas. Victories of this size did not happen every day.

"Yes, Governor, Thomas Whitmore here."

"Have you got your scrambler on? I imagine our enemies have their own unscrambling devices, but we must be seen to take the normal precautions."

"Okay, Governor, go ahead, all switched on," replied Thomas.

"We have been in touch with central bank foreign exchange departments in the major world centres. The amount of money changing from one currency to another is truly fantastic. Last week alone we seem to be able to account for \$13 billion worth of sterling transactions. Everyone is becoming very worried. Sterling may be the present target, but with funds in this quantity moving in and out of one or more currencies, no single currency is safe. So we are working on the problem of how to pool our defences. I fear it will take a little time before we agree to anything meaningful, but I thought you should know what we are doing. How is it going at your end?"

"It is still too early to say Governor," replied Thomas. "Timothy Stevens is on his way to Bahrain and should arrive by 8:30 p.m. our time. Here we are trying to pin down the origins of the major transactions. So far, all we can do is identify the flight from Sterling in detail, which is hardly big news. We hope to know before too long whether this is mainly short selling. If it is people, banks and companies with large Sterling balances getting out into other currencies, there isn't much we can do. But if there is a lot of short selling perhaps we could mount a major bear squeeze, particularly if your central banking friends will back our play."

"Yes, I have thought a fair bit about such a squeeze play," said the Governor. "We tried one last week and in two days of trying we ran through the bulk of our remaining reserves. It is the sheer size of the funds lined up against us which is the problem. The principle of trying to frighten short sellers into buying back the Sterling they have sold is sound. But our enemies must know the state of our reserves. So, unless the U.S., German and Japanese central banks will back us, we haven't a chance. We would get a lot more support if we could identify the enemy, because although we are the target of this attack it will be perfectly clear to everybody that their currency could be the next on the list. Keep in touch, will you Thomas? We have just got to get to the bottom of this one before it is too late." And with that the Governor's line went dead and Thomas put down his telephone receiver.

What a bloody business, thought Thomas. Here we are locked into a currency crisis that threatens to destroy the financial fabric of the country. All major revolutions and social upheavals have been preceded by economic collapse. England was probably no exception. She has been caught in the vice-like grip of rampant inflation for years now. Social pressure for change at all levels had been considerable. And to a large extent, this pressure had been met by the State taking over more and more of the country's factories and companies. Some because they couldn't afford to carry on without state aid. Others because the government's social policies were against large profits being made by private companies. Even the big banks had fallen prey to the engulfing tide of worker participation and government ownership. Except for small enterprises like Whitmore's the private sector had largely moved into public or at least semi-public ownership. Of the total revenues generated by the country some eighty per cent now passed through the Treasury and the Exchequer. A completely communist country would have one hundred per cent of the revenues under government control. England had already moved a considerable distance along that road. If the currency collapsed no doubt the process would be carried to completion. It was ironic, thought Thomas. Here at the country's hour of great need the Prime Minister and the Governor had both turned for help to Whitmore's - one of the last of the private investment banks.

As he sat there deep in thought, Samantha appeared with a pile of letters and messages in her hands. Wearily Thomas looked up, smiled, and turned his attention to the papers. Out of the three dozen items there were two that rated close attention. The first was a telex from Tehran requesting, on behalf of the

Prime Minister's office, an immediate appointment for their Ambassador in London. The second was an offer of a deposit of U.S. dollars from a major Saudi Arabian investment group. The offer was for a deposit of \$4 billion. The investment group would be pleased to know the rate of interest they would receive if they left the funds with Whitmore's for one year!

Four billion dollars for deposit for one year is the sort of money bankers dream about. On one hand the profit potential is so vast as to overshadow anything else they might ever do. On the other hand the responsibility is truly awesome.

Ever since the Yom Kippur war in 1973 and the rise in the price of oil, petroleum dollars had begun flowing in massive quantities to the OPEC countries. As these countries could not immediately invest these funds in their own countries, banks the world around began receiving funds for deposit. At first these petrodollars were most welcome and deposit rates were given at or near the going rates for other lesser funds. As time passed and the volume and weight of these funds increased, big banks became more and more wary, particularly if the monies were only available for deposit for short periods of time like a week or a month. Funds deposited on 7 or 30 day call, as it is known, can literally be withdrawn at the depositor's request after 7 or 30 days notice. So if a bank accepted this type of money it had in turn to find investments which not only yielded more to them than they were paying in interest, but were also saleable at full value at short notice. These conditions meant in practice that banks had little choice but to invest such deposit funds in short term government securities. As government expenditures grew so did their demand for funds. And as long as the foreign funds placed on deposit could be invested in government stock all was well.

In normal times a bank would quote a rate of interest for term deposits that was linked to the return it could achieve in government securities after taking the cost of covering any exchange risk and its own banking costs into account. The larger the amount on deposit the smaller the percentage the bank charged. On amounts below \$1 million, banks would charge between $3/4$ per cent and $1\ 1/4$ per cent. On amounts from \$1 million upwards the charges dropped to about one half of one per cent. A charge of one half of one per cent on \$10 million produced an annual revenue of \$50,000.

An offer of \$4 billion or roughly £2.6 billion at that afternoon's exchange rate just could not be treated in the same way. To begin with it would be impossible

to insure the exchange risk on \$4 billion for one year in the prevailing chaotic exchange markets. So if the deposit were in U.S. dollars the investment would have to be in U.S. dollar securities. To invest \$4 billion in U.S. dollars securities without disturbing the market would not be easy. The entire volume of transactions on U.S. commodity exchanges only ran at some \$3 billion a day and this greatly exceeded the volume of transactions on U.S. stock markets. The only possibility would be to buy U.S. government securities. The U.S. government like any other government was always borrowing and spent somewhat in excess of \$1 billion a day. Naturally, James's view would be most important, but what bothered Thomas was the sheer size of this deposit. One-eighth of one per cent as a bank charge would generate revenue of some \$5 million or some £3.3 million. A bank charge of one-sixteenth of one per cent would generate half those revenues, almost all of which would be profit. No one offered you a profit of between \$2.5 and \$5 million for nothing. Profits of such magnitude were never available, in Thomas's experience, without exceptional risk. Frowning deeply, he wondered what the catch would turn out to be.

Looking up to Samantha who had returned for his replies, Thomas said, "Do get on to the Iranian Ambassador and make an appointment for late this afternoon or this evening that suits him. I would prefer to see him here, but if he insists I will meet him at his embassy at Princes Gate. I had hoped to get home early tonight. Obviously I won't make it. So book a room for me at the Dorchester and please call Anne and tell her I won't be home, but I will call her later."

Turning, Thomas rose and walked over to see James who, with his feet up on a desk drawer, was leaning back in deep concentration talking to someone on the telephone.

"James," declared Thomas Whitmore as James hung up his telephone, "we have a problem. We have been offered \$4 billion for one year in deposit money from the Saudi Arabian Oil Fund. We have been asked to quote a rate. To my mind the opportunity is quite staggering, but then it follows that the risks must be equally big. I just don't happen to see what they are yet. Have you any ideas?"

"That certainly is a very large amount of money, Thomas. Four billion dollars in a single deposit just swamps everything we have every thought of on all possible counts. If I thought we couldn't handle it, I would suggest we all lay down on the floor here until the urge to bid for that deposit passed. I am still sitting up so I am sure we can handle it, but as you say, where and what are the risks?"

"I will have to speak to the Governor about this," replied Thomas. "But in case he suggests we go ahead and bid, what would the rate be?"

"Rates are moving all over the place at present. We couldn't possibly afford to take a risk on currency movements. A one per cent shift could mean a loss, or a gain for that matter, of \$40 million. As some currencies are moving several per cent a day, these days there is just no way we could afford to insure against the currency risk. So we must invest in dollar securities. Don't you agree?"

"Yes I do," replied Thomas.

"Okay, so having decided on dollars, we could choose Euro-dollar securities or direct dollar securities. The problem with the Euro-dollar market is that it just could not handle an investment of \$4 billion. We would have to spread this sum over dozens of Eurobond issues. If we have to spread ourselves that far, we run a very good chance of having a few of the companies who issued the bonds go bust during the year. The violent shifts in currency values are going to mean that a lot of borrowers are not going to be able to pay back their loans when they come due. So all in all we can't risk the Euro-dollar market. This leaves us with direct dollar investments."

"That is just what I thought," interrupted Thomas. "So what are the rates on U.S. Treasury notes?"

"At last week's auction the rate was 10 3/4 per cent for ninety day bills, and 12 1/4 per cent for one year money. It would take us a bit of time to place the money as the Treasury is only raising about \$750 million a week at the moment. To make sense of this we need to make a special arrangement with the Federal Reserve to get the lot invested in one go. That way once we know their rate, we can go firm at our end and know we are not going to get caught. If we quoted a rate to the Saudis and then had to spend three or four weeks investing the funds, interest rates could shift against us and we would be wiped out."

"Okay," said Thomas. "I see what you are after. I have to speak to the Governor about this anyway. So if he wants us to take the funds he is going to have to help us find a safe home for them."

"I think that must be the only way to handle the problem," commented James. "The basis of any market is liquidity. Without liquidity, any investment in that market is worthless. Our big worry here will be keeping that \$4 billion relatively liquid. Some can go out for the whole year, but I would keep at least half of it shorter than that just in case. And for sums of money of that size, we would all sleep better if the Federal Reserve would give us an insurance policy."

Chapter 5: 4:30 p.m. London

The telephone buzzed and as Thomas picked it up he heard Samantha trying to convince the Governor's secretary to put him on the line first. Two such victories in one day is more than most can manage and Samantha under heavy fire retreated gracefully and signalled that Thomas was ready on the line.

"Governor," broke in Thomas the minute he heard the receiver being picked up, "we have some new pieces to the puzzle. Just a short while ago we were asked to bid for a one year deposit of \$4 billion. It is the Saudi Oil Fund, at least that is what the telex said. On top of this we had a request from the Prime Minister's office in Tehran to receive the Iranian Ambassador. He is coming around here at 5:30 p.m. this evening."

"How very interesting, Thomas. What you are proposing to do with \$4 billion?"

"That is just what I wanted your advice on," Thomas replied. "It is our opinion that it could take us up to three or four weeks to invest that kind of money in U.S. government securities, and as the funds offered are in dollars we don't see how there is any choice but to invest in U.S. government securities."

"Hmm," muttered the Governor. "We couldn't persuade you to deposit those funds with us could we?"

"What about the exchange risk? Every shift of one per cent would mean a loss of \$40 million. If Sterling should fall another fifty to sixty per cent it would be a loss of \$2 to \$2.4 billion!"

"I know, I know," replied the Governor. "I have been dealing with nothing but losses for what seems like an eternity now. Do you remember all the foreign currency loans raised by our nationalised industries and local authorities? Well, the Bank and/or the Treasury, which is one and the same thing really, guaranteed ^{the leaders} against any losses from shifts in foreign exchange. On that account alone we have lost £3.5 billion over the last few weeks. So believe me, Thomas, I know about foreign exchange losses."

"I was wondering, Governor," interrupted Thomas, "whether you would speak with Stoddart of the Federal Reserve Board about helping us to place the \$4 billion. It seems to us that they should like to have the funds on

deposit and at the same time they would not want us to disturb their market. We need a firm price and would be willing to spread the \$4 billion over the full range of maturities."

"Yes, I could do that Thomas."

"I would be most grateful if you did," said Thomas. "We ought to reply to the Saudi's as soon as possible, but I won't do so until I have heard from you."

"Okay. It is just after 4:30 p.m. here so it will be about 11:30 a.m. along the East Coast of the U.S.A. It will be a good time to reach Stoddart if he is in his New York, or Washington offices. I will let you know how I get on."

"By the way, Governor, do you think there is any connection between the \$4 billion and the command visit of the Iranian Ambassador?"

"The only prudent thing to do is to act on the belief that there is, Thomas. As a rule the Iranians have followed their own pattern of growth and investment. They have a large population and country to care for and they take the safekeeping and stewardship of their oil revenues as a holy enterprise. From time to time, as you know, they have had their differences with their bretheren in the Gulf States. But first and foremost they are Muslims. If the Arabs have joined together to attack us they will know about it and perhaps even be a part of it. So I should listen with great care to what His Excellency has to say. Perhaps you would give me a call after your meeting is over," the Governor concluded.

"Yes, will do," replied Thomas and hung up.

The Governor must be right thought Thomas. The Iranians were too important in the Arab world to be left out of any battle plan. They might choose to avoid a major role, but they would certainly have to be involved one way or another. That thought put the \$4 billion in a somewhat different light. If a declared enemy arrives bringing rich gifts the gifts must be treated with the utmost care. In some way or another the \$4 billion was most likely to turn out to be a modern day Trojan horse.

The Iranian Ambassador wasn't due for over half an hour. It was time to check with Douglas and see what progress he was making. By now he would

have collected a great deal of data from the world's foreign exchange trading centres. It was probably too early for a major trading pattern to have emerged. But it would be interesting to see what volume of transactions had been taking place in Beirut, Tehran, Cairo and Bahrain. Such knowledge might just be useful during his conversation with the Ambassador.

Douglas Moffat had taken over one of the small conference rooms and had turned it into a full operations room. Secretaries brought the telexes in from the communications room and then they all got to work sorting out the order in which the transactions had taken place. In his request to the dealers, Douglas had asked them only to send details of transactions of £ 5 million or larger. Even with this limit they were being swamped with replies and had decided, for the time being anyway, only to look at transactions of £15 million or larger.

Each of these major trades was set out on a large sheet of paper. The transactions were listed in order of the time at which they were made. Down the left hand side of the page the ruled lines were marked off in seconds. The base time was Greenwich Mean Time. One had to be very careful when noting the time of a transaction from Bahrain, for example, to take account of the three-hour time zone difference. Tehran was three and a half hours of time zone away. By converting local times back to Greenwich Mean Time it was possible to compare the actual timing of the foreign exchange transactions. A Bahraini dealer might have sold £ 20 million of Sterling for Bahraini Dinars at 3 p.m. his time, but in London that transaction was happening at 12:00 noon. To make any sense out of this jumble of transactions it was imperative to bring them together into one time zone and list them in order, second by second.

As the information flowed in, Douglas and his secretaries filled sheet after sheet of these time based pages. It was hard to look through a pile of pages so they had begun to stick those pages in order on the wall. One could now move slowly along one wall seeing the pattern of trading activity. Peak times for trading activity were the normal business hours. When related back to London time it was easy to see that the world of foreign exchange trading almost never closed down. There were times in the day which

were busier than others, but it was remarkable to see how regular was the flow of funds through the world's trading centres.

On these sheets was noted the time and sum of money involved, the currency sold, the currency purchased and the dealing centre where the transaction had taken place. At a glance one could see that Sterling was the favourite currency to sell. It was less clear which was the favourite currency to buy. All the major currencies appeared in the "Currency Purchased" column.

There was naturally a predominance of U.S. dollars and German Deutschmarke. Ever since the Swiss and the French had made it difficult to trade in their currencies, dollars and Deutschmarks had become the favourite dealing currencies. The Japanese could easily have made the Yen a major trading currency, but so far they had resisted the temptation to do so. Tokyo was an active and important money centre for Japanese companies and for foreign companies trading with Japan. However, unlike New York or London, it was not a major source of funds for the financing of international trade for other countries.

Thomas entered the room and moved over to look at the sheets lined up along the walls. Douglas joined him and began explaining what he had done and the patterns he had so far seen. It was as one expected, reflected Thomas to himself. There had been runs on currencies before and the pattern of such a run was well known. Here on the wall was the hard evidence of another run. This time it was Sterling under attack. Laid out one after another, second by second, Thomas could follow the main flow of transactions. It was like looking at a World Wide Ticker Tape for currency transactions. If they had been in New York this information would all have been flashed up onto a screen by some remote computer system. In London this sort of thing was still done by hand. England had long since passed its prime and by and large could no longer afford the extravagances of advanced technology. Five years of massive trade deficits to pay for petroleum products as well as other imports had left the country as well as most businesses in a weakened condition. The attack on the currency so clearly portrayed on those wall sheets could just finish us off,

thought Thomas. It was like standing at the bottom of a mountain when the snows are beginning to melt. The cry of 'avalanche' is most dreaded and feared. To be caught by an avalanche is almost certain death. Whole villages have been buried or swept away. Here the avalanche was aimed at the U.K. and looking at the wall sheets Thomas could see it in motion and hear the terror-laden cry.

"How are you getting on in identifying the short sales, Douglas?"

"For the last seven days trading, we have been able to identify short sales in Sterling of £3.2 billion. These are all sales of £15 million or more. We have traced one hundred and thirty six of these short sells and they are foreign sellers dealing from external accounts. Slightly over half of these short sells came from Bahrain and Beirut. About a third originated in New York and the balance were from sources here in London or on the continent.

"It certainly looks like the Arabs are out to get us, doesn't it," Thomas observed.

"Either that, or they are just jumping on a bandwagon. Their money managers are well trained and always move in once a strong trend or movement has been established. I get the feeling looking at these sheets of a massive flow of funds following a trend. The funds are so big they could very well sink us. Certainly they are worrying the life out of the dealers. Now that they know we are trying to make sense of these flows they keep ringing up to find out what we have learned. The problem as they see it is what happens if the Arabs, or whoever it is, just keep on short selling Sterling? At some point they will have to buy the Sterling back. But if they go on short selling for long enough the currency will be destroyed. If that happened the sellers wouldn't need to buy anything back as there would be nothing to buy."

"You and your dealing friends are probably right," Thomas answered.

"A country going bankrupt is in many ways like a company going under. If you have sold its shares short just before it goes bust, it is usually possible to buy back the shares and close the transaction for virtually nothing after the dust has settled. The money raised by sort selling becomes pure

profit once the bankruptcy has occurred. So if Sterling collapses totally those people who sold short the £3.2 billion worth might just make that amount of profit."

With a nod to the others, Thomas Whitmore turned and went out of the bustling operations room and back along the well carpeted corridor to the Partners' Room. It was almost time for the Iranian Ambassador to arrive and Thomas wanted to speak to James first.

As usual James was deep in a telephone conversation. Looking up he saw Thomas, waved him to the easy chair beside his desk and rapidly brought his conversation to a close.

"Well Thomas," James said, putting down the telephone receiver, "the world of investment management is extremely unhappy at the moment. A number of my colleagues believe that their funds and their careers have all been ruined in the last ten days. Those who have loans based in foreign currencies are facing the prospect of having to pay back in Sterling terms perhaps twice what they borrowed in, say, U.S. dollars. It is quite an appalling prospect. If they had invested the foreign funds in U.K. securities they are already ruined. The fall in the London stock market combined with the massive devaluation of the currency is enough to wipe out the strongest funds."

"How are the rest of the world's stock markets today?"

"New York is off 40 points," replied James "and Singapore and Hong Kong have both fallen roughly 10 per cent. The Continental markets never were very significant internationally, but even they have gone down quite a bit."

"What about Teheran and Bahrain?"

"They are both thriving, likewise the market in Beirut. But, naturally, most Westerners are scared stiff of investing large funds in those markets for fear of having their holdings nationalised. After all we threatened the Arabs with such action if they start buying up significant amounts of English companies. The Americans, the Canadians, and the Germans have passed laws requiring all foreign equity purchases to be cleared by the federal government. In effect this has led to an embargo on unwanted Arab purchases. So one shouldn't be surprised if fund managers are afraid to invest their funds in Middle-Eastern markets."

"If your investment friends are all ruined or depressed, how are we doing?"

"Worry not, Thomas. As you know, our equity funds are almost exclusively invested in commodities. We are having a bad time in England, but the world at large is still consuming more than it produces. This is particularly true in the Middle East where they are trying to overcome centuries of neglect. Their demand for iron, tin, zinc, copper and lead is still strong and these commodities are still maintaining their values in real terms. So in Sterling terms we are doing very well indeed."

"Good. You had said we were invested only in commodities, but you sounded so depressed about the stock market I suddenly thought that maybe some of our funds were caught in this slide."

Chapter 6: 5:30 pm London

The main doors to the Partners' Room swung open and Samantha entered with the Iranian Ambassador. Thomas had expected the Ambassador to be accompanied by a personal aide or perhaps the First Secretary. But, here he was all by himself. Rising, Thomas crossed the room to greet him and lead him to the conference corner of the room. There, in easy leather chairs, grouped around a handsome marble table, quiet conversations could be had in the presence but out of earshot of the rest of the room. It was a peaceful corner haven, enhanced with the gentle beauty of a small collection of antique Chinese porcelain.

The minute the Ambassador and Thomas were seated Samantha brought and poured the coffee and passed the sweet biscuits. From long experience in the Middle East Thomas knew that until one had broken bread and had coffee business could not be conducted. No matter how pressing or urgent the business the Muslim was brought up to believe that there was always time for coffee and, if possible, a sweetmeat of some sort. Only when coffee and polite inquiries after each other's health were out of the way, was it possible to settle down to the matter at hand.

"Mr. Whitmore," the Iranian Ambassador began, "it has been some time since we have had the pleasure of seeing each other."

"You are quite right, your Excellency" Thomas replied. "It was in Tehran in November, at your Prime Minister's splendid reception."

"Yes, it was a splendid affair. It is not often a man becomes Prime Minister so young in life and Allah's blessings were being recognised with deep and grateful thanks."

"If you recall, Mr. Whitmore," continued the Ambassador. "You were particularly helpful to our country last autumn. Although the new Prime Minister was not able to show his full appreciation at the time he has not forgotten the thanks he owes."

"That is kind and thoughtful, Excellency. It was merely a matter of stopping^a a banking consortium from trying to sabotage your country's borrowing arrangements. Their bark was considerably worse than their bite, and as you know, I did suggest you could probably have gotten away with ignoring them altogether."

"As you say, Mr. Whitmore," observed the Ambassador, "nonetheless you stood by our side and we do not not forget such things. It is on account of this gratitude that I am here today. My Prime Minister wants you to know he is aware that your country and your currency are under attack. Some of our more ambitious brothers seek to own your country. They have wanted to buy your industry as for many, many years. English machinery and engineers have been much revered in the Muslin world. Your armies used to train us, fight with us and help to defend us. The bountiful riches of Allah have changed the world and some of our brothers desire to spend their monies in England."

"As you are well aware, Mr. Whitmore," the Ambassador continued, "your government has resisted most attempts to invest Arab money. Some have become impatient and have decided to take matters into their own hands."

"Thank you for telling me all this, Excellency," said Thomas. "But would you mind if I ask a few questions?"

"No, of course not."

"You mention that some of your Islamic bretheren have become impatient and have decided to take matters into their own hands. I presume that these matters include the present chaos of the foreign exchange markets and particularly the run of Sterling?"

"I am not informed as to the details of their plans, only that a plan exists. But in my opinion, you are right and these items are part of their plan," the Ambassador replied.

"In that case, perhaps you could tell me which of your bretheren have banded together to carry out this attack?"

"Unfortunately, we do not know this. The Prime Minister specifically wished me to tell you that he and the Shah were approached to lend their support to the projects. In each case they were spoken to by intermediaries. Naturally, the approach was turned down. Naturally, efforts were made to find out who was behind these emissaries. These efforts appeared to be bearing fruit, when suddenly the emissaries met with fatal accidents."

"I see," said Thomas.

"Since these untimely deaths, which only happened a short while ago, we have made no progress in discovering who is behind this attack."

"From the size of the movements on the foreign exchange markets," observed Thomas, "it would seem that very large sums have been committed to this venture."

"That I could not say," replied the Ambassador. "If you say so I am sure it must be the case. But whatever the sums of money, the Prime Minister wants you to know that he extends to you his hand in friendship."

"He is most kind," Thomas replied. "Please convey my deep thanks for this kind gesture."

"The bonds between us are deep and strong," the Ambassador said. "I trust the present trials and difficulties do not disturb them."

With these remarks the Iranian Ambassador rose to shake hands and depart. Thomas accompanied him to the main doors, paused and turning to him said,

"Ambassador, why did you bring this news to me?"

"Mr Whitmore, one of the blessings of the ways of Islam is that once we have made a friend we wish to keep him a friend. My Prime Minister knows you and has great respect for you. Your own Prime Minister is recently elected and as yet has not met my Prime Minister. It was so much easier to come to see you than to go through the formalities necessary when talking at the Prime Ministerial level. I do hope I have not offended."

"No, no, Ambassador," Thomas said soothingly. "I am delighted you came to see me. Do convey my thanks to your Prime Minister for his message. I shall convey it to the proper quarters at once."

Thomas opened the doors and Samantha and the Ambassador's body guards were already on their feet ready to escort him to the front door. After descending the broad circular staircase that had been installed some years ago at great expense the Ambassador reached the curb and his waiting limousine.

"Goodbye Mr. Whitmore, and thank you for your hospitality."

"Good day, Your Excellency," replied Thomas. "It was a pleasure to see you again."

"Well, Thomas, what's up with the Iranians?" called James as Thomas re-entered the Partner's Room.

"I am really not too sure," replied Thomas thoughtfully. "I am really not at all sure I understand what is going on. Here we have the Iranian Ambassador coming in great haste, heralded by a fanfare of telex from his Prime Minister, just to tell us the obvious message that our country and currency are under attack."

"Did he tell you what was behind the operation?"

"Not really. He claimed that those who are involved tried to get the backing of the Shah and the Iranian Prime Minister and that both of these gentlemen declined the invitation to play. He did use the word 'brothers' when referring to those involved in the attack."

"Presumably he means their Arab friends," interrupted James.

"I imagine so. But as we had guessed that much anyway I don't find any of this enlightening or helpful. Well, I had better report to the Governor."

Thomas reached over, buzzed Samantha on the intercom and asked her to telephone the Governor.

"Governor," Thomas said, as soon as he was on the line. "I had a rather odd interview with the Iranian Ambassador. He would apparently like me to believe he came all the way to the City on the express instructions of his Prime Minister to tell me that our country and currency were under attack. I asked him by whom and he replied he didn't know. He merely said that they had been approached by emissaries of what he described as 'some of our more ambitious brothers.' He said that this group were impatient and fed up with our restrictions on their investing in this country and had drawn up plans to take us over."

"Why was he telling you all this Thomas?"

"I asked him that. He said that his Prime Minister owed me a favor from last autumn's little financial episode. When I asked 'why Whitmore's?', he replied in effect it was so much easier to get an appointment to see me than to see our Prime Minister."

"Hmmm," muttered the Governor. "Your Ambassador friend has not really contributed anything other than to confirm the fact we are under attack and that they know about it. If they know about it then so does anyone else who cares to. I am not the least impressed by his statement he did not know who was behind the attack. If they are brothers in Islam they they will all be sworn to secrecy. That would be a much more potent security system as they probably invoked a dreadful oath."

"Supposing what you are saying is correct," Thomas interrupted, "have you any idea why they chose to inform us of their partial involvement in this way?"

"I should imagine that the Shah is merely following the line of least risk and greatest caution. He knows you will immediately report to me and that I shall do the same to our Prime Minister. In the event that the attack is successful and his bretheren win, nothing will have been lost. But, suppose we should defeat the attack, though I must confess I don't know how, then he would be able to say it was his warning that helped us. I think he is taking out insurance on all possible risks."

"But why launch himself on such a tale and then stop in the middle with the excuse that when they tried to find out who was behind the question the searchers met with fatal accidents?"

"Byzantine embellishments, graceful arabesques, or a clear warning not to pursue inquiries as all who do so meet an untimely death. Three choices, and I would opt for the third."

"Perhaps so. By the way, Governor, have you heard from the Federal Reserve Board with regard to the \$4 billion?"

"Yes," replied the Governor. "Stoddart appears to understand our position. He came back to me only a few minutes ago. They are prepared to give us a firm undertaking to place the \$4 billion in a mixture of U.S. government securities with a range of maturities up to twelve months. For more reasonable size investments the market range today was between 10 1/2% for 7 day call up to 12 1/4% for twelve month money. They have offered us an all-in package for the \$4 billion of 8 3/4%. They would appreciate knowing by tomorrow morning their time, say 3:00 pm here."

"What do you think of the idea. Should we go ahead?"

"Well, Thomas," the Governor replied, "I would much prefer to have those funds deposited here at the Bank. But the risks are too great. And besides Stoddart appears to like the idea of helping us place that money. I shouldn't wonder if he has not added an eighth or a sixteenth to the market rate, just to compensate the Federal Reserve Board for its pains. On balance, I would say, 'Yes,' take an eighth off the top for Whitmore's and pass on the offer to the Saudi's and see what they have to say for themselves."

"Thank you, Governor, I will do precisely that," said Thomas, and hung up the receiver. Turning to James, Thomas beckoned him to come over.

"Stoddart, the Chairman of the Federal Reserve Board, has offered to place the \$4 billion in a range of U.S. government securities, with a maximum maturity of twelve months. They have offered us a package rate for the lot of 8 3/4%."

"Not bad Thomas," said James laughing. "Those beggars know we couldn't do it ourselves under three to four weeks. So by doing it themselves they can take a good eighth, which may I remind you comes to \$5 million, merely for the pleasure of moving the \$4 billion into their own government securities portfolio. Not bad at all."

"I agree, James, but without their help we can't accept the risk. Also I might add the Governor suggested we take an eighth off the top ourselves."

"Did he now, The Old Man is becoming positively human in his old age."

"What do you think of our chances of getting the deposit if we offer the Saudi Oil Fund 8 5/8%?" asked Thomas.

"Pretty good, actually, you see when you think about it our U.S. competition such as the Bank of America, or the Chase Manhattan, would have to offer a lower rate. Billion dollar deposits are in a special category all by themselves. They would have much the same problem as we would going into the market direct. And they would never confess to anyone let alone the Federal Reserve Board that they needed help. No, I think the Saudi's have thought this one through very carefully. They know we have to go through the Federal Reserve Board and that by playing on our relative weakness they would get a better rate. We should offer them the 8 5/8% rate and see what happens."

"Okay," said Thomas. And if your analysis is correct, James, the Saudi's are still getting one to one and a half per cent better rate through us than through an American competitor. As this is a \$10 to \$15 million bonus I can see why they are doing it. You can count on the Saudi's to figure out how to use the banking system to their advantage."

Chapter 7: 7:00 p.m. London (10:00 p.m. Bahrain)

Timothy Stevens leaned back in his seat and thought about his assignment. He was within an hour of landing at Bahrain and he really had no better idea of how to proceed than when he left Heathrow. The Intelligence briefing was quite clear. Seek and identify the person or persons who were behind the attack. There was a chance, no one had said how big a chance, that this person or persons would be found in Bahrain. Stevens knew that others like him were combing the other money trading centres of the world. He couldn't believe it would be his luck to find and corner these attackers in Bahrain. But he was certainly going to make sure he found them if they were actually there.

The big problem was to figure out how to search Bahrain for persons unknown when, if they were there, they would be in well-protected hiding. They would know that England would do everything possible to upset their plans. They must have taken endless precautions before they began the first play. There would be no point looking for the front door. The front door would be well and truly bolted, guarded and hidden. And Timothy was pressed for time. The Intelligence briefing had stressed time. No one had any real idea when the balloon was going up. It could happen any day. Every moment was precious and the sooner the enemy could be located and destroyed the better. Timothy remembered he was warned very carefully about this destruction bit. It was not really his job to kill people though it might just work out that way. He would be provided with a gun in Bahrain and a contact to call if time permitted. However, if cornered and he had to use the gun, so be it. He was trained in close combat. But no one liked to have to get rid of corpses. They were always an embarrassment. And would Timothy be especially careful that he did not wind up as an unwanted corpse.

So far the flight had been uneventful. Concorde was a good plane and cut about three hours off the normal flight from London. It was not as comfortable as the wide-body jumbo jets. In Concorde one sat close to one another, rather hunched up, and feeling very much like being in a small tube hurtling through the air at some incredible speed. Timothy had traveled a great deal and didn't mind exchanging cramped quarters for the increased speed. But he did wonder why they had ever bothered to put windows in Concorde. It would

probably be a good deal safer without the windows and clouds usually obstructed the view anyway. From the normal cruising height one could see very little even on clear days. Occasionally passengers were rewarded with breathtaking vistas, but it didn't happen very often, at least not in his experience. They were now high over Iraq. It was dark below and even if it had been light there would not have been much to see. A vast expanse of desert with only occasional patches of habitation. Once they crossed the coastline and flew out over the Persian Gulf, the trip would be almost over. It didn't take very long for the plane to lose height on its way down three hundred miles or so of the Gulf to Muharraaq airport in Bahrain.

Bahrain, mused Timothy, was an odd place to have become the financial centre of the Gulf States. Until 1971 when it was granted Independence, Bahrain had been a Sheikhdome under English protection. When independence arrived Sheikh al-Khalifa or Sheikh Isa bin Sulman al-Khalifa as he was more properly known, became Prime Minister. A casual inspection of the Prime Minister's Cabinet revealed a frequent occurrence of the family name al-Khalifa, and an outsider could be forgiven for assuming that this must be an important family. Important was an understatement. The family had ruled this collection of islands with an iron hand for generations. Nothing of importance went on in Bahrain without the al-Khalifa's knowing about it. If Bahrain was the nerve centre for the attackers, this family would be deeply involved.

Though the population had more than doubled over the last five years, there were still only some 245,000 people spread over the archipelago of 33 islands which made up Bahrain. Driven by the ever rising cost of land, the majority of Bahrainis had left their lands and moved to the cities. There life was easier and if a job were required there were always plenty at hand. As little as fifteen years ago Manama, the capital, was but a modest Arab town of low lying houses settled on the north eastern end of the main island of Bahrain. Perhaps some 60,000 people lived here in this free trading post that was central to all those passing up and down the Persian Gulf.

Aircraft, communications, and an earth satellite tracking station were the major ingredients of Bahrain's transformation. Muharraaq airport became a major refuelling stop for aircraft flying to or from India and the Far East. To assist communications and in part because of its central position

amongst the Gulf States, an earth satellite tracking station was built at Ras Abu Jarjur in Bahrain in 1969. Once on site, this tracking station acted as a communication centre for the entire lower Gulf--including the United Arab Emirates and Muscat and Oman. Through Bahrain all these states had access via the Intelsat satellite to the rest of the world.

Now air conditioned cars outnumbered camels. Narrow city streets and markets built for camels and their traders were jammed with cars during most hours of the day. The searing white heat of the sun made westerners prefer the air conditioned comfort of a car even if they spent most of their travel time in traffic jams. Distances were not great, but only a madman or a pauper, and there were very few of the latter, would journey on foot.

Timothy had flown from Kuwait to London only last week, but he had already adapted back to the comfort of moderate temperatures. Now as Concorde dipped its nose on its descent to land, Timothy began the process of adjustment that would allow him to accept and even enjoy the great heat which awaited them on the ground. Bahrain's own promotional literature noted the climate as being exceptionally hot and humid in summer with temperatures reaching 144°F and humidity over 90 per cent. One had to agree--it could be very hot indeed.

'Archipelago' was a pretty word, thought Timothy as he gazed down on the darkness that covered the scattering of islands of Bahrain nestled up against the Qatar peninsula. The plane was circling, presumably awaiting clearance to land, and all Timothy could see were the twinkle of lights of the villages and towns. The air was clear and as the plane banked for its final run Timothy could see the flashing lights that marked the main shipping channels in and out of Mina Sulman as well as those leading to the giant dry dock facility south of Hidd on Muharraq Island. It was hard to believe in the existence of so much industrial activity so far removed from the major industrial centres of the world. But there outside his window were the lights of a dry dock capable of handling ships of up to 500,000 tons, situated on an artificial island which had itself been built on an ancient coral reef. Today's patterns in the Gulf States were very much like this dry dock, thought Timothy. The very new and modern built on the foundations of ancient civilizations. An odd mixture, this old and new. Perhaps it was this mixture of the brash and modern imposed on the staid and old which had fused into the attack on its previous protector.

Timothy took a deep breath and braced himself for the landing. Aircraft were very vulnerable at takeoffs and landings. At the moment when an aircraft lost lift and the control surfaces their ability to control, a pilot was largely at the mercy of events. At high altitudes there was normally time to take corrective action, time to call for help receive advice, alter routes and plans. At the moment of landing, there was almost no time even for prayer. The Concorde seemed to hang over the end of the runway, then it bumped twice and started braking hard. Timothy gave a heartfelt sigh of relief. Once firmly down on the ground an aircraft was more or less under control again.

International airports are pretty much the same the world over, thought Timothy, as Concorde drew up to its unloading ramp at the end of a long building which jutted out from the central part of the terminal. In what ever shape they are built the one thing you can be sure of is a long walk. It always seems to take miles of corridors and passages to link different parts of an airport. Muharraaq was no exception. After a long flight a bit of exercise was useful and sometimes enjoyable. But airport designers never seemed to think of the young, the infirm and the old who frequently do not take kindly to long route marches.

The door opened and after the usual shuffle of officials and documents, the passengers started to leave. Luckily the airport's air-conditioning was working and although the air was warm it was probably a great deal hotter outside. They finally emerged into the customs and immigration area to be greeted by another common sight. Long lines of worn passengers clutching their hand baggage waiting for the immigration officials to pore over passports and other documents. Bahrain was not a particularly difficult country to enter. Except for British passport holders, a visa is required and when an aircraft had an unexpected stop-over the visa has to be issued on the spot. All such activities take huge amounts of time. Documents are precious things, to be stamped and handed out with great care. The Bahraini official was competent at his job but was not renowned for speed of thinking or doing. Timothy could see himself here for at least an hour and settled himself to wait it out. A passing stewardess stopped to talk and confirmed that the long queues were the result of a Boeing 747 which had gone 'technical.' The passengers had no choice but to stay in Bahrain until the aircraft was servicable again.

Eventually Timothy reached an immigration official, had his passport examined and stamped, and he passed out into the grand confusion of the baggage pickup area. Long ago he had resolved never to be involved in the endless chase after one's baggage. Everything he needed he carried in a travel case that fitted either under his legs of his aircraft seat. If he needed more clothes than he could carry he either went without or rented, borrowed or purchased what he needed on the spot. It was just too much of a hazard to be tied in any way to the uncertainties of airline baggage handling.

Just before 1:00 a.m., local time, somewhat worn and weary, Timothy was finally ushered into his room at the Omar Khayyam, one of Manama's newest hotels. Even though his reservation had been made and guaranteed by the Commercial Attache's office at the British Embassy the stranded Boeing 747 had thrown the hotel into complete disarray. The lobby had been jammed with people and baggage. The babble of voices was intense, as was the general level of frustration. Under an overwhelming barrage of requests for rooms, the desk staff had begun to take refuge in Allah and the time-honoured delaying tactics of a shrug of the shoulders and a hasty retreat to a safe haven in a back office. Timothy could only imagine that this same scene was taking place at the Hilton, the Sahara and the other hotels. Some three hundred and fifty extra guests were an enormous burden for hotels that always seemed to be full anyway.

Eventually he worked his way to the desk and by waving a considerable quantity of money in his hand attracted the attention of a reception clerk. Shaking his head and with an expression of the deepest sorrow the clerk indicated that the hotel was full. It was to be deplored but the reservation cannot have been made. Did Mr. Stevens have the right hotel? Perhaps there was a bed waiting for him at one of Manama's other hotels? Timothy did not interrupt this tale of woe. He merely took his bundle of notes and began placing them on the counter one by one. By the time he got to ten the clerk had stopped talking and was sorting through some papers. By the time fifteen Bahrain Dinar were on the counter the clerk had disappeared to return with a radiant smile upon his face. Countless apologies were offered. The reservation was there after all. An exchange took place and in a matter of minutes a key was produced with a bell-boy to lead him back through the crowds and on to his room. Another substantial tip was required to induce

the bell-boy to part with his room key. But having effected this last payment, the boy withdrew and closed the outside door. For the first time in what seemed endless hours Timothy felt the great relief of being alone.

In the cities and towns of the Gulf States it was very difficult to feel and be alone. The noise and press of people was always intense. Until one got used to it, it could be very tiring. Over the years he had become used to the endless difficulties and frustrations. Here he was, two hours after landing, and all he had managed to do was enter the country and move some five and a half miles to a hotel bedroom. At this rate, he thought to himself, ruefully, it will be next week before I will be permitted to report to London that I have arrived. And with that thought he picked up the telephone, pushed a button for an outside line and then punched out the number for the British Embassy.

"Patrick Conway, please," Timothy said as soon as the Embassy answered.

"Just a minute please." One could be anywhere in the Western world, until it came to doing business. Here in the Gulf States one had to have the right introductions and connections. There was no point coming with only a better mousetrap to sell. One had to start with better connections. Then and only then would the quality of the product matter. The Arabs were no fools. They used their ancient system of family ties and allegiances to great commercial advantage. There were many who argued that they used these allegiances solely for their personal benefit and not for the benefit of their country. Nonetheless, the system certainly seemed to work. One product of this systems was their excellent telephone system, which contrary to what one would expect, had been designed and installed by the English. The telephone machinery was a combination of American and Japanese manufacture, which doubtless accounted for its speed and reliability. Another product of the system was that a business man's first stop was either the Commercial Attaché's office in his Embassy or his local banker. At 1 o'clock in the morning it would be a natural choice for Timothy to call his Embassy, and not his fellow bankers.

"Hello, Patrick Conway?" asked Timothy as a voice came on the line.

"Yes, Conway here."

"Stevens here. I have checked into the Omar Khayyam, Room 583. Would you let my office know I have arrived, and would it be possible to see anyone tonight?"

"Yes to both, Stevens," replied the voice. "One of our attachés will be with you in half an hour or so."

"Thank you and goodbye."

Well, at least that was done, thought Timothy. His telephone like the room, was certainly bugged, but by talking with the Embassy in this way the real Patrick Conway would be alerted and asked to be here as soon as he could.

Whoever it was that he had talked with on the Embassy telephone was certainly not Patrick Conway. Patrick Conway was a Commercial Attaché as well as the senior British Intelligence man in Bahrain. Anyone wishing to speak with Conway was routed to the Commercial desk where a voice recorder was switched on. The officer on duty always answered to Conway's name and only if questioned replied that Conway was out or otherwise unobtainable. After Timothy had called his voice print was matched with the one on file. If the voice prints checked out then the messages would be sent as requested and the real Conway would be notified. It wasn't a completely foolproof procedure. It screened out all casual inquiries and it would take a very determined person to imitate somebody else's voice print or arrange for a substitute to be placed in the computer files. The big advantage was that it was quick and easy to use and to police. For agents in the field this was an attractive feature. As soon as their voice print matched the one in the file they got immediate clearance to the next level.

Knowing that it could take a while for Conway to be located, Timothy decided to have a shower and a shave. It was late by Western standards, and he had traveled a long way. But in the Arab world the night was just beginning, and if Conway had any news at all it would be some hours before he got to bed. He had slept moderately well on the plane. Still there was nothing like a shave, followed by a hot and then cold shower to wash the fatigue of travel from the body as well as the mind. In half an hour Timothy was dressed and ready for whatever the rest of the night might bring.

A double knock repeated on the door identified Conway. Even so, Timothy opened the door with care. He might not be armed, but there were a number of precautions one could take. Timothy relaxed. It was Patrick Conway.

"Hi Patrick," said Timothy as he motioned Conway to enter the room.

"It's good to see you again, Timothy," Conway replied. He crossed the room and turned on the T.V. "Let me show you the new shows we have here,"

Conway continued, while he fiddled with the set. "There you are. All that's best in commercial colour T.V."

The television announcer was presenting the unbounded wonders and eternal benefits that would be bestowed immediately on every purchaser of his gleaming dishwasher. Timothy was always amused by the way the hard selling American advertising techniques had been adjusted to fit local attitudes and conditions. Here they always stressed the 'wonders' and the 'eternal benefits' that were part of every new and shiny domestic appliance or product.

"Sorry about the noise. But it will drown out our conversation and give us cover for quite a little while."

"Don't they get suspicious?"

"In a way, yes. Whoever is listening in will realise we are aware of the bugging devices. But they don't seem to do much about it these days. As you know the electronic bugging is nothing like as threatening here as it is in some of the other Arab states. Some of them are so politically oriented that they feel threatened by any and all criticisms. Happily the Bahrainis like the Kuwaitis are much more concerned with making money than making politics. I have always had the feeling here that the bugs were installed more out of a spirit of keeping up with 'the Joneses' than from any deep-seated economic or political motivation."

"Enough about the 'bugs,' have you picked up any leads on the financial wizards behind the currency attack?"

"Yes and No is about the fairest way to reply," said Patrick. "Ever since your urgent request last week we have been checking and searching as deeply as we dare. The communications traffic from Bahrain to the outside world has gone up enormously over the last three weeks. Naturally, we have been monitoring radio as well as the satellite communications. The Arabs here in the Gulf States have started talking to one another at a frantic pace."

"Can we break the Arab codes?"

"Again the answer appears to be Yes and No," Patrick replied. "The commercial codes pose no problems. But apparently about half the messages we have picked up are in a code our chaps haven't got a clue how to break. Doubtless the CIA computer code crackers in Virginia, U.S.A. could do the job, but we haven't been given clearance to call on them for help."

"Would it really help if we could use them?"

"That's hard to say, isn't it," Patrick replied. "It depends so much on what those messages are about. If they are discussing the dowries of their many daughters, the return for the effort expended will be small. But I have trouble believing such nonsense. Special codes are usually created to cover special events. And this code only came into use about three weeks ago. So it is a pretty fair guess that these messages are about the currency situation."

"How long would it take to get on to the CIA and get them moving on the problem?"

"An hour or so I should imagine," replied Patrick. "They have a couple of chaps here, though they have a much bigger office in Kuwait. Once we were cleared all the way through it wouldn't take long to get the messages to them or for them to get to work."

"Hmmm," said Timothy. "Let's send a signal to London. We will use my bank if you don't mind. The communication to the top will be a lot quicker if we go through Whitmore's than through Whitehall."

"Well, it's just about 1:30 in the morning here which is 10:30 p.m. in London and 5:30 p.m. in Washington," interrupted Patrick. "If you think Whitmore's can move quickly enough they could certainly catch Washington before it goes to sleep. Let's go to the offices and see what we can do."

In a matter of minutes Conway and Stevens had left the room and were working their way through the still crowded hotel foyer. Timothy resisted the urge to hand his key in at the desk. If he did it would probably take another handful of Dinars to ransom it when he returned. It was one thing to have to bribe a desk clerk with the price of a night's lodging to obtain a room. To continue to pay an additional tax every time one used the key seemed to be above and beyond the call of avarice.

"As you know," said Patrick as they headed off in his car along the crowded, brightly lit streets toward the British Embassy, "the Arabs only seem to wake up at midnight. In the stricter states like Saudi Arabia most people are not allowed much to do in the evening. But here where making money would appear to rate higher than worshipping Allah, even little villages are alive and kicking until 4:00 to 5:00 in the morning."

"I have only been here a few times at night," said Timothy, "But it certainly seems as though Manama never goes to bed."

"By the way I am pretty sure we are being followed," Patrick interrupted. "You must be a popular fellow, Timothy. Officialdom does not usually honour me with a tail."

"I have been keeping an eye out but I haven't spotted anything. Which car is it?"

"There is a car, with just its sidelights on that is now two cars behind us. It appears determined to stay with us so why should we make life difficult for them," Patrick replied.

"I agree as long as they don't try to stop us. It could be a routine tail or you may be right. I could be more popular than I had thought."

"Don't let it worry you," Patrick interrupted. "Security has been tightened considerably over the last few weeks and this is probably just part of their drive to check on the movements of all foreigners."

"Equally, it could be that they know who I am and what I am here for. On the chance that this is true there is even more reason to signal London for clearance to use the CIA."

"You are probably right, but here we are and they haven't stopped us, so they are not out for our blood yet," said Patrick as they turned into a well guarded archway and stopped for identification.

"There's a car behind us, Corporal," said Patrick to the guard as he handed over his identity papers. "Would you mind keeping an eye out for it. They will probably drive on past, but you might let us know if they are still there when we come back."

"Right Mr. Conway," answered the guard, saluting.

The formalities completed, they proceeded through the archway into a beautiful tree-lined drive. All living things require water, thought Timothy and even though Bahrain had more natural fresh water than many other Arab States, the fresh water was at best very salty. Early in the Sheikdom's development the widespread use of fertilisers to increase crop production had raised the water's salinity still further. A major effort was being made to overcome these effects, but the simplest remedy had been to build several desalination plants. The water to grow the flowers, grass and trees here at the British Embassy undoubtedly came from the new desalination plant at Sitra.

They pulled up in a car behind the main building. Two guards stepped forward and stood behind each door as Patrick and Timothy got out of their car. They presented their identification papers and with the guards at their side they marched over to a side entrance where they were handed a telephone.

"Please give your name and who you would like to see," said the guard handing Patrick the telephone.

"Patrick Conway, here. I should like to see myself in my own office inside two minutes, thank you." He handed the telephone to Timothy who repeated his name and his desire also to see Patrick Conway in his office as soon as possible.

It only took thirty seconds for the voice prints to be checked against those on file. Thirty seconds is an astonishingly long period of time when you are in a hurry, and Timothy wondered what would happen when the inevitable fault occurred in the system. Would the guards pounce and march him off to a cell or what? Fortunately, the computer was in good form and gave the "all clear."

They entered the building and went straight to the basement and through two more checkpoints before reaching the communications room. Timothy was handed a stack of the intercepted messages and began to sort through them to get a feel for the situation. His Arabic was excellent but it didn't take long to see what Patrick had meant about this new code the Arabs were using. It was quite possible that this code would defeat even the CIA computer code crackers. But they certainly had to give it a try.

"Okay, Patrick. Please send a top priority message to Thomas Whitmore at Whitmore's. Use the code word 'Receiver' twice and sign the message with my name. Can you do this at once?"

"Yes, I think so," Patrick replied. "Hold on a minute and I will see what can be done."

Within five minutes Patrick was back, looking more relaxed.

"Well, that's that anyway. The message has gone and has been received at your bank. I presume your Mr. Whitmore will be found wherever he is because the reply merely acknowledged receipt of the message?"

"He will get the message all right. Using the word 'Receiver' guarantees that part. But while we wait for a reply can I have a further look at the messages

cars, but as a whole they were cautious when it came to investing. For these speculators to behave in this fashion, Timothy could sense that they felt secure. They could only feel secure if they believed they had some inside knowledge. They would have that knowledge if the 'word' was out that the value of Sterling was to be destroyed. If the 'word' was out, then a lot of people would know.

Timothy was turning this problem over and over in his mind, wondering which of his contacts to begin the search with, when Patrick returned.

"I am impressed with the power of your code word," Patrick said. "Your boss has replied. They have been in touch with Washington and hope to have a reply for us in a couple of hours. The question now is what else would you like to do? It is almost 2:30 a.m. The night is no longer young and you must be pretty tired. But, as you know, the Bahraini stays up for another couple of hours anyway."

"I have been thinking about this as I have been sitting here reading these messages. It seems to me that a lot of small speculators are getting in on the currency act. They might dip their pail into the well once or twice on their own initiative. But at the rate these types are going at it they must believe they know what is going to happen and when and that their money is safe. Tomorrow I shall make the rounds of the investment and banking houses. I will be on official business from Whitmore's. I may not learn anything specific, but I will certainly get a feeling for how investment bankers are behaving. They ought to be horrified by the chaos on the exchanges, but somehow or other I don't expect to find them that way."

"That sounds okay," said Patrick. "But have you any thoughts for what is left of tonight?"

"Yes. I would like to have a talk with the 'Tiger,' more properly known as Jacques al-Abdel, the local Mafia boss. As you know his main interests have always been in pushing drugs and girls. But if there is big money to be made in other areas he is always interested. I would be very surprised if he is not involved up to his eyebrows in this currency gamble. Do you know where we could find him at this hour?"

"It is hard to say off hand," Patrick replied. "He is reported to spend his nights visiting a number of nightspots checking up on his market and his customers. He is supposed to be a go-ahead type always on the lookout for

you have managed to decode? I would like to get a better feel for them."

"Sure," replied Patrick. "They're all in this folder. Why don't you sit here and use this desk, sort through those messages and I will just go and check on how the rest of our world is fairing."

"Okay,"

"By the way, would you like some tea or coffee to ease the burden of the hour?" called out Patrick as he was about to leave the room.

"Tea and a sandwich, please," replied Timothy. It had been quite a while since the last meal aboard the Concorde. And in spite of his years of travel experience fatigue was beginning to set in. Coffee in this part of the world was either sweet, thick and Arabic or perfectly dreadful. It was undoubtedly the effect of the local water that made normal coffee so poor. For reasons Timothy couldn't fathom the same water produced drinkable tea.

Patrick was quite right, thought Timothy, as he worked his way through the decoded messages. They were almost all concerned with foreign exchange transactions. Mostly they were for the sale of Sterling and U.S. dollars into Gulf State currencies. The Bahraini and Kuwaiti Dinars were the most popular currencies to buy though the Saudi Arabian Riyal was not far behind. The amounts were relatively small. Only a few of the transactions were in the \$5 million category and there was only one above \$10 million. Timothy thought of his colleague Douglas Moffat's task and decided to send a message to him concerning the transactions of \$5 million and up.

Timothy was not a money expert. But he could see in these transactions a build-up of the pressure on Sterling. Ten days ago the volume of deals as well as their size were low. Over the last two or three days both elements had increased. These transactions could be part of an overall plan. But it seemed unlikely. The pattern looked more like that of a group of speculators having made a good profit on several transactions now going back to the same 'well' in ever increasing amounts. If one could turn the tide, these speculators would take a terrible beating. Ten days or so ago they probably began by covering exposed positions and selling all the Sterling they had. By now the increasing rate of sales could only mean that these speculators were going short of Sterling in a big way. If Sterling were to recover they would be wiped out. Arabs, by and large, were cautious with their money. Some might throw away large amounts at the gaming table or spend large amounts on

new opportunities. But his usual activities are not my scene. I will go and see what we can do to track the Tiger to his lair. You stay here and carry on with your heavy thinking."

"By the way," Patrick called out as he was leaving the room. "I was instructed to provide you with a handgun. Would you like one?"

"Not really," replied Timothy. "Guns are noisy things. They have a tendency to go off and hurt people. I know I am supposed to carry one, but I usually manage to avoid the issue. High finance and guns don't mix very well. It is so much easier to ruin someone than to shoot him. And besides there are no messy bodies to clear away."

With Patrick out of the room the pressure of events started to fade and Timothy caught himself on the verge of falling asleep. I must be getting old, he thought. Either that or out of training. I used to be able to go for two or three days non-stop without a rest. But here I am beginning to fade out and it is only just coming up to midnight back at home. Having thought this through he decided to nap until Patrick returned, and moving the papers out of the way stretched out on the top of the desk.

"Wake up Timothy," called Patrick as he shook Timothy into an upright position. "We have located al-Abdel and it is time we were on our way."

"Great, where is he?"

"Oddly enough he was seen five minutes ago at the bar at the top of the Hilton," Patrick replied. "A Bahraini of the 'Old School' would never go there, but the younger ones in a hurry frequently meet there to drink and talk. If the Tiger is there I can only presume some of the clientele are already his customers."

Chapter 8: 12:00 p.m. London (3:00 a.m. Bahrain)

The Manama Hilton is a tall building for Manama and is located on a small rise overlooking the four-lane causeway leading out to Muharraq island and the airport. The rooftop lounge and bar with its adjoining restaurant might not appeal to 'old style' Arabs, but Timothy certainly thought it was all right. The best view at night was of the bright lights on the causeway leading out to the darkness of the Persian Gulf. Timothy and Patrick stood at the entrance to the lounge and peered into the darkened room. It was almost 3 a.m. yet the lounge and bar were still quite busy. Most of the tables looked full and in the half-light it was very difficult to make out faces, particularly those with darkish skins.

The Maitre appeared out of nowhere to escort them to a table. As they made their way through the lounge Stevens did what he could to spot al-Abdel. There were too many headdresses and flowing robes bent over their drinks or in conversation. The Maitre reached his destination which were two seats around an already crowded table. Timothy had been prepared for this. He shook his head and at the same time produced a ten Dinar note. The bank note disappeared in a flourish as the Maitre led them to a separate table against one wall facing out over the northern part of the city. As the Maitre bent over to ensure his new guests were comfortable, Timothy produced two more ten Dinar notes. The Maitre was profuse in his thanks to Allah for sending such generous guests to visit him.

"Sharraftena - You have honoured us - my good Sirs," the Maitre continued. "May Allah preserve you."

"Maitre," Timothy replied. "Would you be kind enough to take my card and present it to Mr. Jacque al-Abdel. I understand Mr. al-Abdel is here this evening. I have written a message on the card and I would be grateful if you could wait for any reply."

"My good Sirs, I would be only too pleased to do as you bid, but I do not know of anyone answering to the name you have given me."

"Perhaps you know him better as the 'Tiger,' Maitre? And perhaps two more ten Dinar note will refresh your memory."

"Allah yahfazek - May God preserve you - good Sirs, your use of the name of the 'Tiger' has indeed refreshed my memory. I do believe the gentleman

in question did arrive some time ago. If the honoured gentlemen will excuse me, I shall see if he is still with us."

"By the way," asked Patrick "How do you know this al-Abdel fellow? I know he is the local mafia boss. What do you know of his background?"

"Al-Abdel is Algerian by birth," Timothy replied. "He was probably pushing drugs and girls ever since he could walk. He began as a runner and then graduated to the rank of a dealer in the narcotics traffic of the Mediterranean. He became quite a big noise in Algeria. Once he almost lost his head in the literal sense when he led a sales campaign into Libya. Colonel Quadaffi is a fanatical Muslim. Drugs and alcohol are anathema, and the punishment for dealing in drugs is death by beheading. Al-Abdel almost got caught. However, he seems to have learned his lesson. For when he moved down to the Gulf States to expand his operation he stayed clear of Saudi Arabia. The Saudis also have very strict rules about drugs and I can well image al-Abdel fingering his neck from time to time and being quite grateful it is still attached to his head."

"You do have nice friends," said Patrick. "How do you know so much about this character?"

"As you know, for the last few years I have specialised in the Gulf States. One of my greater services to mankind is to perform introductions for people. It is extremely important to know how each V.I.P. rates and to whom he can be introduced. It was my knowledge of the Gulf States that took me into investment banking. Because bankers, like Whitmores, like to know about people in great detail. Anyway, on one of the investigations I was making for a major investment I ran across Jaques al-Abdel. It appeared he was blackmailing one of the principals. It all became very awkward as the money was coming from Saudi Arabian sources and as you know they have very strict views about drugs. Saudis also have very strict rules about blackmailers. It is a 'heads-off' matter on both counts. The more I investigated the background the more difficult it all became."

"Why didn't you just report on the drug and blackmail part and forget the whole thing?" Patrick asked.

"Because it was one of the Saudi principals, a client of Whitmore's, who was in trouble. If his link with al-Abdel had come out both would have been executed. Al-Abdel was more upset than anyone when I told him what he

could be in for. He had never realised that his victim was a Saudi. All in all, it was a mess, but with a bit of luck I was able to get everyone off the hook and the investment dropped without anyone finding out what was really going on. So al-Abdel owes me a favor and it seems to me now is a good time to try and collect."

For the last few moments a small procession had been making its way across the lounge. It arrived at their table. With a flourish the Maitre drew to one side and presented al-Abdel, a small dark-faced man with hooded eyes. Timothy was ready for the Maitre and a further supply of Dinar notes changed hands.

"Salam alekum - Peace be on you - Mr. Timothy Stevens," said al-Abdel bowing.

"We-alekum salem - And on you be peace - Mr. Jacque al-Abdel," Timothy replied.

"It is a pleasure to see you Mr. Stevens. You have made us lonely with your absence."

"May Allah never let you feel lonely, Mr. al-Abdel," Timothy replied, continuing in the formal manner. "By your leave Mr. al-Abdel, perhaps you will permit me to present my friend Mr. Patrick Conway."

"Salem alekum - Peace be on you - Mr. Conway. A friend of Mr. Stevens is always welcome. Please let us be seated," continued al-Abdel, and turning to the Maitre who was still hovering at the side, "May coffee and sweetmeats be found for my esteemed and honoured friends."

The Maitre withdrew, bowing, and Stevens, Conway and al-Abdel sat down to await the arrival of the coffee. Al-Abdel might not be a strict believer or follower of all the rules and rites of Islam, but it was always important to adhere to the formal courtesies. At the very least it gave one time to assess one's opponents. Since nothing of moment would be said until after the coffee and sweetmeats had been consumed, Timothy relaxed as he and al-Abdel proceeded through a further range of Arabic courtesies.

Arabic conversation when taken seriously consists of an apparently endless sequence of formal expressions. Etiquette forbids one to express admiration or liking for anything or any person. Admiration would be interpreted as a request for the object admired, to be presented as a gift. The only safe approach was to talk about neutral subjects. If personal or any other potentially dangerous subjects came up it was necessary to preface or finish

all such remarks with a liberal sprinkling of "it is as Allah wills" or "if Allah wills." Timothy was usually amused by these conversations, but tonight he was tired. It was with relief that he raised the real topic for discussion after the coffee had been tasted and consumed.

"Mr. al-Abdel. May I presume upon our acquaintance to ask a favour?"

"Mr. Stevens, you mentioned the possibility of such a favour in the note you sent to me earlier. I would be dishonoured if you withheld from me the pleasure of granting it," replied al-Abdel.

"That is kind of you. What I wish to ask may offend and in the event it does, may I be forgiven in advance for such is not my intention."

"Begin your story, Mr. Stevens. May Allah protect both of us from taking or giving offence."

"It is the beginning as well as the end of the story that I should like to know about." said Timothy.

"At the present moment there is a major run on the pound Sterling in the international currency markets. As you are doubtless well aware, Bahrain is one of the main markets through which the selling of Sterling is taking place. My bank has many clients and controls the investment of considerable funds. I have been sent here to try and discover the likely source and strength of this selling of Sterling."

"You have been given a difficult job, Mr. Stevens. People buy and sell investments for many reasons. Perhaps only Allah really knows such answers."

"Undoubtedly the currency markets are as Allah wills them," answered Timothy. "But you must agree that mortals intervene from time to time to assist Allah in his work. Right now a lot of small as well as large investors are selling Sterling they do not own in the hope that they will be able to buy it back at much lower prices. Short selling of Sterling may well be part of Allah's grand design. My bank wants to know the pattern of this grand design as well as who here in the Gulf States is doing so much to assist Allah in his eternal labours."

"It is dangerous to inquire too closely into Allah's ways," replied al-Abdel.

"Dangerous or not, I must do so."

The conversation lapsed while another round of coffee was poured. Timothy could see where they were heading. Al-Abdel was aware of what was wanted, but clearly did not want to say anything. To say that a major raid on the pound was part of Allah's grand design was as neat a way as any to

place the raid beyond normal levels of discussion.

"Mr. al-Abdel, I have been sent to Bahrain by my bank to find out the grand design for Sterling. It is important for them to know. If it is dangerous to pursue this knowledge then I must accept this difficulty. Not so long ago it was part of Allah's will that I was able to help you out of a difficulty with the Saudis. Perhaps you do still remember the occasion as well as the events?"

"I do, " al-Abdel replied. "My life was in your hands and you spared me. By the laws of Islam I must return the favor. I recognise the obligation Mr. Stevens, but you have chosen a most difficult time and subject matter."

"I am sorry the timing is inconvenient, but time and subject matter are not of my choosing."

"May Allah protect us both," answered al-Abdel. "I shall do what I can to enlighten you. To do so will place us in mortal danger."

"As Allah wills it."

"You are doubtless well aware," al-Abdel began, "of the story circulating in the market place that the value of the pound Sterling is going to fall to a very low level. That it has fallen as far as it has over the last two to three weeks is taken as convincing evidence of the truth of the story."

"I imagined such a story was going the rounds. But what started such a large amount of short selling?"

"As you so rightly say, the basic motivation is not just the momentum of the fall," said al-Abdel. "The basic motivation is religious."

"The story is told that the fall in Sterling is part of a grand design ordained by Allah. For centuries the Arab world has been fought over, conquered and ruled by others. There have been a number of holy wars to rid our lands of the infidel. In recent times, indeed for many, many years the West exploited Allah's greatest gift to his chosen people - our oil. Times have changed. To help make restitution for the sins of their fathers and their father's fathers, the faithful are told to take action in the currency markets."

"If I understand you correctly you are saying that the run on Sterling is part of a Holy War."

"That is correct, Mr. Stevens," replied al-Abdel. "The grand design puts the currencies of the faithful at the top of the pyramid of world currencies."

Each Muslim is to believe that his currency is destined for the highest point in the pyramid."

"When I was in Kuwait last week, I heard stories about the holiness of the Dinar. But I had never encountered a holy currency before so I did not give it much thought."

"Mr. Stevens," said al-Abdel somberly. "Never treat lightly the religion of Islam nor the behaviour of those doing Allah's will."

"My apologies. But tell me, Mr. al-Abdel, is it part of the grand design to drive Sterling to zero or is there some lower limit to the value of a pound?"

"What you seek has not yet been revealed, As in all commercial activities, there will be a price at which the selling will stop. It will not have escaped your attention that what has been sold short must some day be bought back," replied al-Abdel.

"That's what bothers me. How can a grand design, preached throughout the Arab world, specify an end price without creating an enormous imbalance as individual traders try to beat that end price."

"You are quite right, Mr. Stevens. I could not run my business in such a manner. Nor do I believe could anyone else."

"In that case, it must be part of the plan to drive Sterling to zero. Otherwise the Faithful could get badly hurt. For just as it is impossible to stop an avalanche once it has started, so those who are still selling when the market turns are bankrupt in an instant."

"It is doubtless as you say," said al-Abdel, "but if that is all I must thank you for the pleasure of renewing our acquaintance Mr. Stevens, and for meeting your friend. It has become quite late and I am no longer young. By your leave I should like to go."

"Before you go, May I ask one more question?"

"Very well, a few minutes will not make any difference."

"You have spoken of a divine plan to raise Arab currency to the top of the pyramid. All divine plans have to be told to humble mortals by some human intermediary. In the past there were the prophets of which the greatest was Mohammed. Mr. al-Abdel, who is today's prophet in the currency markets?"

"Mr. Stevens I cannot answer you. I owe you a debt of my life. With Allah's help I am trying to discharge that debt. But I cannot answer that question."

"Cannot or will not?"

"Khatirek - by your leave- Mr. Stevens, and may Allah give you peace and wisdom on your difficult journey, " said al-Abdel rising.

"Ma selame - go in peace - Mr. al-Abdel, and may your times be prosperous," replied Timothy.

"That was some session." said Patrick, the minute al-Abdel had gone. "It is quite a concept. To make it a religious duty to sell Sterling in favour of your own currency is a message even the most dimwitted can comprehend."

"All it takes is to persuade enough traders to open stalls in the local markets and all at once you have a flourishing currency market. Even ~~little~~ orders to sell can be grouped together and passed through into official channels. It is an awesome plan, and the people who thought it up must be in the near-genius category. Imagine having the idea of converting the activity of making a profit into a religious obligation."

Chapter 9: 2:30 a.m. London

Thomas Whitmore woke with a start when his bedside telephone began to ring. For an instant he wondered where he was.

"Thomas Whitmore here," he said as he finally got hold of the phone and turned on the bedside light.

"Burke here," said Robert Burke who was the officer in charge of Whitmore's at night. "Sorry to disturb you but we just had a message from Stevens and I thought you would like to know about it at once."

"Quite right Burke. I seem to be half asleep but go ahead. I have got a paper and pencil."

"The message reads:

'STERLING RAVAGED BY HOLY WAR STOP AM SEARCHING FOR THE
PROPHET STOP SUGGEST OTHER SEARCHERS IN ISLAM DO SO AS
WELL END'

"Thank you, Burke," said Thomas as he looked down at the message set in front of him. "How is the rest of the business?"

"Pretty quiet tonight," replied Burke.

"Okay," said Thomas. "I will be in touch if I need you. And please keep the contents of this message to yourself for the time being."

Thomas walked to the window, parted the curtains and looked out across Park Lane into the trees and grass of Hyde Park. It was 2:30 in the morning. Not the best time to call either the Governor of the Bank of England or the Prime Minister to tell them Sterling was the subject of an Islamic Holy War.

Somehow over the years Holy Wars had gone out of fashion. Certainly modern historians reported the Crusaders as having combined the benefits of religious belief with the more earthly pleasures of conquest and greed. As far as Thomas could recall the last time England had been in a Holy War it was through a series of silly decisions by Gladstone's government who found themselves driven to send troops to protect and control the Egyptian Sudan which was under attack from a local prophet or Mahdi. This Mahdi was an obscure fakir who announced himself as "the expected one" - the follower of Mohammed. His Holy War was to clear the Sudan and perhaps all of Egypt of the British. In a series of battles the Mahdi destroyed the Egyptian Khedive's forces which were then led by Colonel Hicks. In order to retrieve

the situation and to protect the garrison stationed at Khartoum, Charles Gordon was sent out to Egypt by the British government. The Khedive made Gordon Governor General of the Sudan and in due course Gordon set off to evacuate Kartoum before the Mahdi's forces conquered that town as well. The siege of Khartoum which began in March of 1884 did not end as far as Thomas could recall until near the end of January of the next year. The siege was famous both for its length and for the slaughter of all the defenders, including Gordon, once Khartoum fell. In the eyes of Islam the fall of Khartoum was a great victory. It showed that Arab forces could unite in a holy crusade and defeat the white European.

Certainly, the Israel-Arab wars and the OPEC decision on oil prices had all the characteristics of a Holy War. As Thomas stood there looking out at the street lights and the dark trees beyond he had the definite feeling that the war on Sterling had a great deal of the flavour of the siege of Khartoum. When the Mahdi took Khartoum in 1885 no quarter was given and none of the garrison was spared. It was not until some thirteen years later that Kitchener avenged Gordon's death with a ruthless slaughter of the Mahdi's forces at Omdurman.

If another Mahdi had arisen from the desert wastes and was calling the faithful to a Holy War on Sterling, Britain was going to be in for a bad time. It was one thing to have to beat off a straightforward commercial attack. It was quite another matter to deal with a crusade. The Mahdi rose from the desert and conquered Khartoum by a combination of proloner siege followed by direct assault. In Thomas's view it was certain now that history was being organised to repeat itself.

Thomas shivered as he returned to his bedside. There was no point in waking everyone in London at this hour to tell them Britain was locked in a Holy War. There would be time enough in the morning. At the moment he need only alert the men in the field. It would help to concentrate the search if they knew what to look for. Having decided what to do, Thomas dialled the Bank and after a brief interchange with the night duty officer and a further wait, spoke at length to the Governor's assitant.

Chapter 10: 8:00 a.m. London

It wasn't much of a drive from the Dorchester to Throgmorton Avenue in the City, and at this hour the streets were clear. As they set off down Park Lane heading towards Buckingham Palace, Westminster and the Embankment, Thomas was impressed by the empty roads. Over the last few years, the price of gasoline had risen to over 150p a gallon. Most of this price rise was due to taxation but some was due to the increased costs of importing oil due to the fall in the value of Sterling.

Not too long ago, the OPEC countries had decided to price their oil in terms of an inflation-index basket of world commodities. As the price of Sterling declined against this index so the cost of each imported barrel of oil rose. Increased taxation had added to the cost until now there were very few who could afford to go to work by car.

It was a cold, grey and wet day. Passers-by huddled under umbrellas as they crossed the side of Parliament Square and turned left just beyond Big Ben onto the Embankment road. The Thames even looked cold and unhappy today, thought Thomas. They passed the Savoy on their left, a monument to excellence in hotel keeping. Once the Savoy had been a home away from home to the heads of many English families as well as companies. Now with the massive increases in costs, prices and taxes few people could afford to stay there. The top London hotels were now patronised almost only by foreigners and few executives could now afford top London hotels. Rising prices and taxes had driven their costs ever higher and the price of a room was now £60 to £80.

Thomas' car had turned onto London Wall and was approaching the entrance to Throgmorton Avenue. As they turned to pass under the arch and between the gates, Thomas was surprised to see the Governor's Rolls-Royce Phantom V parked outside Whitmore's front door. Either the Governor has come to pay a call, or he wants me to see him right away, thought Thomas as he got out of his car, entered the front door and made his way up the broad spiral staircase to the Partners Room.

Thomas had barely reached his desk before Samantha came over to see him.

"Good morning, Miss Samantha."

"Good morning, Mr. Thomas," Samantha replied, "I have the reports from last night here, and I have an urgent request from the Governor to ask you

to join him at Downing Street at 9:15. The Governor tried to reach you earlier but you had left the Hotel. He said if you would use his car he would be greatly obliged."

"Yes, I rather imagined something like this had happened when I saw his car outside. Right, well if I am going to be at Downing Street by 9:15 let's get through that pile of papers you are carrying."

"The first lot are clients," said Samantha. "Some are clearly panicking."

"Ask James to handle them when he gets in."

"Very well" said Samantha. "This second set are the field reports from the Bank of England's intelligence agents. Do you want to take them with you to your meeting?"

"Yes, thank you. I will read them on the way."

"This last report is from Mr. Moffat. I gather he finished it about 3:30 a.m. this morning."

"Do thank him when he gets in." said Thomas. "I will skim through it in the car. I imagine it will tie in with the data from the Bank's agents. We know that there is an organised attack on Sterling. And I am sure these reports will give lots of details on how the attack is being carried out."

"I will take care of the other letters," said Samantha as she handed the reports to Thomas. "There aren't very many and they are mostly asking for your views on the state of the economy in general and their investments in particular."

"They must be some of the blissful few who don't believe that the economy and the country are in their death throes. Do reply to those letters, but give the account and portfolio to James."

Thomas gathered the reports together, took a last look at his desk to make sure he hadn't forgotten anything important, and then set off for the staircase to the front door. Samantha must have signalled the driver, because as Thomas opened the front door the chauffeur was already holding the back door to the Phantom V ready for Thomas to climb aboard. Thomas sank into the deep leather seat and reflected with wry amusement that it wasn't very often any more that one drove about in such great luxury.

The drive to Downing Street would take a good twenty minutes at this time of day, so Thomas opened his brief case and began to read the reports. He started with Moffat's which summarised the position of the currency market movements. Sterling was being taken for a terrible ride and this record

of transactions was confirmed by the report from the Bank of England. No one had any answers as to how to stop the attack, nor did they have any rationale as to why it was taking place. But each report confirmed its existence. On reflection, Thomas agreed, it was the job of intelligence to provide the data. It was up to others like himself to devise a counter-attack.

Chapter 11: 9:15am London

Thomas was deep in thought when the car stopped in front of 10 Downing Street. As the chauffeur opened the door, Jeremy Richardson came down the steps to greet him.

"Thank you for coming so promptly, Mr. Whitmore. We tried to reach you at your hotel to save you the double journey, but you had just left."

"That is all right. I had to see to a number of things at the office. I am glad you missed me."

"Well if you will come with me the Prime Minister and the Governor are waiting," said Richardson as he turned to lead the way back into Number 10. Richardson went straight to the P.M.'s study door, knocked then opened the door and said:

"Prime Minister, Mr. Whitmore is here."

"Do come in Thomas, and Good Morning," said the Prime Minister.

"Thank you Jeremy, and could you have more coffee sent in."

"Thank you for coming at such short notice," said the Prime Minister. "It is bad enough that we politicians always seem to be at the beck and call of all the sundry. I am sorry I have to inflict such things upon you. The Governor got in touch with me early this morning and told me about the message you had received. We are clearly up against something very special."

"Yes, Prime Minister," replied Thomas. "We must be up against a group of Arabs who have pledged their faith to the destruction of Sterling."

"That is the special part, isn't it" said the Prime Minister. "It is unusual to mix religion with international finance."

"The problem is what are we going to do about it," interrupted the Governor. "I agree in my experience it is unusual to mix money and religion in international finance. As a rule bankers and speculators behave as though they have hearts of stone. But as I understand it, we are in the middle of a religious war on our currency."

"I think that is right. I have seen the field reports from you agents, Governor, as well as our own analysis of the major transactions. There is no question that Sterling is under direct attack. Combine that information with Stevens' message and one cannot escape the conclusion that a group of

Arabs is waging a Holy War on Sterling."

"Suppose we take the position as you describe it Thomas," said the Prime Minister. "How does one defeat a Holy War?"

"Holy Wars must be much like any other war, Prime Minister," Thomas replied. "The big difference is that we must assume that the Faithful are being told it is the will of Allah that they should sell Sterling. Undoubtedly endless ancient wounds and atrocities are being dredged up out of history's graveyard to support the revenge and retribution motive. But I believe this attack has been launched primarily on the simple combination of religion and greed. But before I really try to answer your question Prime Minister, may I ask how the Chancellor of the Exchequer has got on?"

"You may indeed," the Prime Minister replied. "So far the Chancellor has failed completely. He got back late last night from a round of visits of European financial centres. Everyone was very polite but no one would lend us one penny."

"It is always that way with bankers," said the Governor. "We much prefer to lend when the customer doesn't need the money. Go to most bankers in the middle of a crisis and they become very polite but they do not lend."

"Has the Chancellor tried Washington?"

"Not yet. He is on his way there now and will do what he can with the U.S. Government and with the World Bank," the Prime Minister replied. "Naturally, we must hope for the best. But it's time we explored the choices open to us in case he fails. Governor if we can't borrow any more money, how long will our reserves last?"

"Not very long. At the moment we have to make a number of major international payments. Last week, our reserves would have just covered the payments coming due. At today's rates we can't meet more than about half the payments. By tomorrow or the next day, the position will probably be worse."

"So, we are already insolvent," said Thomas. "And if anyone presses us hard they will force us to disclose to the world that we can no longer pay our bills."

"I am afraid that is right," said the Governor sadly. "I am sorry to mention it but it affects me most deeply to think that one of the

world's great central banks is now insolvent."

"I am sure it does Governor," said the Prime Minister. "However, there was rather a stormy session in the House last night over the Government's handling of this crisis. I bought a bit of time by promising an all Party meeting this afternoon where I would give a complete briefing on the present position. So when I asked you earlier, Thomas, on how you would defeat a Holy War I meant what I said."

"I wasn't ducking the question, but it is a bloody difficult question to answer."

"According to the Governor, we can no longer pay our international bills. So unless the Chancellor is able to raise a further loan we are already insolvent. In my experience, once a company becomes insolvent it no longer seems to matter to the owners how insolvent they become. The ones who get angry are the creditors. In our case the people who should be worrying about our financial health are all those who have lent us money in the past."

"You are quite right," interrupted the Governor. "In fact the Chancellor was asked to make this point as he went on his rounds. We reasoned that everyone who mattered must be aware of our position so it seemed a good idea to put on all the pressure we could. The trouble is so far it hasn't worked."

"When creditors know a company is insolvent and decide not to support it any further their next step is to call in a Receiver-Manager," said Thomas. "Are our international creditors going to appoint a Receiver? And even if they wanted to how on earth could they go about putting one in?"

"Revolution or conquest are the two most common ways," said the Prime Minister quietly. "In our history your Receiver-Manager is the modern counterpart to Oliver Cromwell or William the Conqueror. Some countries have had much greater experience with sudden shifts in political power. Hitler and Mussolini rose out of the economic chaos of the 1930's. So far we have survived without having to resort to such extreme measures. But, our luck seems to have run out. What is happening right now seems to lead directly either to revolution from within or to attack from outside. No government let alone a political party has ever survived a financial

collapse of the sort we are now in. With luck we may hold on to our parliamentary form of government. But to do so every one will have to act with courage and decision. To do this Parliament must be given a lead. So may I repeat my question to you both. What do we do now?"

"If I may Prime Minister," Thomas replied. "I should like to go back to my analogy of the insolvent company. I think it provides a useful guide. When a Receiver is put in charge it is his responsibility to manage the company in such a way that the creditors are repaid as much as possible of what is owing to them. Part of his job is to see whether in the light of the full particulars the creditors are willing to extend further credit in hope of getting some or all of their money back one day. Sometimes creditors say 'Yes' and sometimes 'No'. If it is 'No' then the business is wound up and everybody loses something. Now in international finance, there just is no possible way our creditors can say 'No' and wind us up. Do you agree Governor?"

"In a manner of speaking, I agree with you, Thomas, but only when you say no one can close us down, sell off our assets and pay whatever is left to our creditors. In international terms that is a lot of nonsense. However, I don't think it is quite as easy as you are suggesting. No one is going to allow us to continue just as though nothing had happened."

"I quite agree. But if we handle this situation properly we may yet beat off the Holy Warriors."

"I don't think I follow you, Thomas," said the Prime Minister heatedly. "In political terms a Receiver-Manager must be equivalent to a new head of government appointed either by internal revolt or by great pressure from outside. As we are not going to accept conquest you are surely not suggesting we have a revolution?"

"In a manner of speaking I am suggesting a form of stage-managed revolution or revolt." answered Thomas quietly. "For unless we can show our creditors that the enterprise is under 'New Management' we have no practical political basis for entering into fresh negotiations."

"Nonsense!" shouted the Prime Minister. "In the limit we can just dishonour our debts. Who can force us to recognise and pay our debts? Lots of countries have done this in the past and presumably there will be more to do so in the future."

"Prime Minister," said the Governor. "What you have just said is correct, but it leaves out an important element. Whenever a country has dishonoured its debts it has done so after a revolution. Sometimes the revolution has involved great loss of life as well as a dramatic change in the form of government. Russia abandoned its international debts after her revolution. So did China, and so have numerous other countries now run by military or communist dictatorships. However, I thought we had all agreed that we must do everything in our power to preserve our parliamentary type of government and avoid dictatorship either from the right or the left."

"You must be right, Governor," said the Prime Minister thoughtfully. "It must never be said that we abandoned England to the generals or the communists. But I must be given time to work through how to apply what you are telling me. The Cabinet is not going to take kindly to your view that we must all be replaced before we can negotiate with our enemies."

"Prime Minister," interrupted Thomas. "The analogy of a Receiver only works if the creditors actually believe he is working for them. In the case of a country this is very hard to achieve. A genuine revolutionary movement has this type of credibility unless or until it makes its own mess of things. So our problem, in political and financial terms, boils down to how to achieve the credibility we need before we have a real revolution on our hands."

"I beg your pardon, Thomas," said the Prime Minister. "Do you think we are faced with revolution anyway?"

"Thomas is more right than wrong," interrupted the Governor. "Whether you believe all these things or not, I would strongly recommend that you behaved as though you believed."

"Very well," replied the Prime Minister. "Excuse me a minute there seems to be an urgent message, Jeremy has just signaled he is bringing it in." As he finished speaking there was a knock at the door and Jeremy Richardson entered and handed the Prime Minister a sealed envelope. The Prime Minister opened the envelope, took out the message form and sat looking at it for some time.

"Is there a reply Prime Minister?" asked Mr. Richardson.

The Prime Minister looked up with a start and said "No thank you, Jeremy. That will be all for now."

"Yes Sir," said Mr. Richardson and turned and left the room.

"Gentlemen, we have less time than we had thought. We have a second message from our attackers. Like the first it was sent in our top military code, but unlike the first it carries a signature. This message is signed 'AL-MAHDI Let me read it to you.'"

"PRIME MINISTER, IT IS NOW SOME THIRTY-SIX HOURS SINCE YOU RECEIVED OUR FIRST MESSAGE. YOU WILL HAVE DISCOVERED THE TRUTH OF WHAT WE FORETOLD. WE KNOW YOU ARE TRYING TO RAISE FURTHER INTERNATIONAL LOANS. WE KNOW THAT YOU WILL FAIL TO DO SO."

"PRIME MINISTER, WE ARE AWARE OF THE PRESENT STATE OF YOUR COUNTRY'S FINANCES. YOUR COUNTRY HAS SQUANDERED ITS RESOURCES AND HAS LIVED BEYOND ITS MEANS. IT IS TIME TO PAY FOR THE MESS YOU HAVE MADE. IT IS TIME OTHERS TOOK OVER WHERE YOU HAVE FAILED."

"PRIME MINISTER, YOU HAVE THIRTY HOURS LEFT. AT 1600 HOURS GREENWICH MEAN TIME TOMORROW WE SHALL BROADCAST OUR TERMS. OUR TERMS WILL BE STRAIGHTFORWARD. WE ARE GOING TO TAKE OVER YOUR COUNTRY. WE HAVE THE NECESSARY ABILITY AS WELL AS THE FINANCE SO TO DO."

"PRIME MINISTER, UNTIL TOMORROW."

AL-MAHDI.

"Who is AL-MAHDI?" asked the Governor. "Undoubtedly the inspiration behind the Holy War."

Thomas replied, "I am not well up on Islamic history, but as I remember the Mahdi is a divine follower of the Prophet, Mohammed. Muslims believe that one day a messiah will come and deliver them from oppression and injustices and restore the true religion to its rightful place in the world. The messiah is known as the Mahdi. In some stories the Mahdi is supposed to be a direct descendant of Mohammed. In other stories he is a divine prophet in his own right. In many respects the coming of the Mahdi is very much like the second coming of Christ in Christian belief."

"These days the Mahdi is seen as a restorer of political as well as religious purity. The title has been claimed by a number of social revolutionaries. To give you some idea of the variety of these Mahdis,

the Aga Khan claims descent from a Mahdi of the tenth century A.D. It was a Mahdi who defeated Gordon at Khartoum. And in our time Quaddafi of Libya has been referred to as a new Mahdi. So you can see the tradition is well established."

"If I follow you, Thomas," interrupted the Prime Minister. "By calling himself the Mahdi this fellow endows himself with spiritual as well as temporal authority. If he leads the faithful on a crusade for social and religious reform he can expect to receive powerful backing?"

"Yes, and in this case the message is to deliver Islam from the domination of foreign economies and their currencies. Sterling has been probably chosen as the first currency to be destroyed as it was once most important throughout the Islamic world. It is also vulnerable and the Mahdi will gain enormous political and religious prestige if Sterling can be destroyed."

"Gentlemen, time passes and we have got to agree on how to proceed," said the Prime Minister. "We are being attacked by the Mahdi and his forces. So far they have won the first rounds. Sterling is badly battered. Our friends appear unwilling to lend us any money and, as a result, the country is insolvent. The Mahdi proposes to announce his terms, presumably for our surrender, at 4p.m. tomorrow. It is now 10:30am. We have not got much time, but we cannot just sit here and wait for the Mahdi fellow to turn up. What do you recommend, Governor, Thomas?"

"I think the time has come to disclose the present position to a meeting of all political parties. The country is under attack. We are in a state of war. Only the government can decide what measures to take. It is my view that the necessary measures be decided upon by an all party meeting."

"I go along with the Governor. This is a problem for the country to decide on. The only practical way to achieve this is to place the issue before representatives from all political parties."

"The problem, of course," said the Prime Minister, "is that it is almost impossible to conduct foreign affairs along democratic lines. The parliamentary process has few of the qualities required for the prosecution of a determined view. But, never mind, that is my problem. I

agree that all parties must be told at once and I shall do so. However, if I call the Cabinet as well as the Shadow Cabinet as well as the leaders of the two other opposition parties plus their advisors we will have a most unwieldly collection, each more talkative than the next. Once a committee grows beyond three or four its ability to talk exceeds by far its capacity for reaching conclusions or making decisions. All parties must be made aware of our present situation at once, but I fail to see how it is going to be possible to listen to, let alone pay attention to all their opinions."

"Prime Minister," said the Governor. "Perhaps if the first session is used to get the facts across to everyone, a later meeting or meetings can be held to sort out the decision-making part. After all when it comes right down to basics we only have two choices. We either give in to the Mahdi or we fight him."

"I think the Governor is right," added Thomas. "In essence we face the simple choice between giving in or fighting, even though neither of these choices are as simple as they sound."

"You are right. I shall call a meeting to be held as soon as possible in the Cabinet Room. Would you both be there please."

"Certainly Prime Minister," replied the Governor. "If we could use a telephone while we are waiting we could check on any latest developments."

Chapter 12: 10:40 am London (1:40 pm Riyadh)

Al-Mahdi sat, tall, erect, motionless. His eyes closed, like a spectre of doom. Prince Fahd, his assistant, Abdel-Aziz and Hisham sat with him on the marble floor. From time to time messengers arrived with the latest reports.

"Al-Mahdi," said Hisham, breaking the silence. "The Saudi Oil Fund would like to know whether to reply as previously arranged to the Whitmore Bank's offer for their \$4 billion deposit. As you will remember, we said that once an offer was received the Oil Fund should change their minds, cancel the \$4 billion and telex a request for an offer for \$7 billion on 30 day deposit."

"Yerzug Allah - May Allah sustain me -" replied Al-Mahdi without opening his eyes. "The plan was agreed. We asked blessings from the Almighty. The reports say all is going well. The second message has been delivered in London. It is not for us to alter the will of Allah. Tell them to proceed as agreed."

Hisham pressed a buzzer and a messenger appeared at once. Hisham whispered his instructions and then took and read a telex sheet the messenger had been carrying.

"AL-MAHDI, AS YOU KNOW INTELLIGENCE AGENTS ARE HUNTING FOR YOU IN ALL THE MAJOR MONEY CENTRES. ONE OF THES SPYS HAS JUST ARRIVED AT RIYADH. HE HAS COME FROM BAHRAIN WHERE HE WAS SEEN SPEAKING WITH JACQUE AL-ABDEL. HE IS FROM THE WHITMORE BANK BUT HE IS A SPY, AL-ABDEL CONFIRMED THIS. HE IS ON HIS WAY FROM THE AIRPORT. DO WE PROCEED AS USUAL?"

"El-abd yi-ammad we-r Rabb yikemmel - the slave plans and the Lord carries out - when it was decreed that all spys would be executed, it was not for us to choose who they would be. It is Allah's will that the spy is from Whitmores. Abdel-Aziz arrange for this spy to be taken as he arrives. Prince, may it please you to put this man in your list for Friday's executions."

"It shall be done as you say, al-Mahdi," answered Prince Fahd.

Chapter 13: 11:10 am London

"Mr. Whitmore, there is a call for you on the green telephone there," said Jeremy Richardson as Thomas was just about to proceed to the meeting in the Cabinet room.

"James here Thomas. We just got a message from Bahrain. Timothy has decided to pursue his quarry into Saudi Arabia. He got the necessary entry papers this morning and has started out on a circuit of Riyadh, Medina, Jeddah and Mecca. He also reports that the CIA computers have decoded most of the messages. They are all instructions on currency transactions, and they are going to a world-wide network of banks."

"Thanks James. I don't like what Timothy's doing though. Would you get on to Peters at the Bank's Intelligence Department. Ask him to arrange for cover for Timothy right away. It shouldn't be hard for them to pick up his trail in Riyadh. No Westerner can travel in Saudi without lots of people knowing about it. Their internal security is very tight. Tell them its urgent. I think Timothy has walked straight into a trap."

"Okay Thomas, you go back to your meeting. I will make sure we do the very best we can for Timothy."

At that moment Jeremy tapped Thomas on the shoulder and said that everyone was waiting for him in the Cabinet room.

"Ladies and gentlemen," said the Prime Minister as Thomas entered the room. "It would take too long to make formal introductions, so may I present to you collectively the Governor of the Bank of England, whom I am sure you all know, and Mr. Thomas Whitmore of Whitmore, Tyler and Gilbey. Mr. Whitmore and his bank have been doing a great deal to help us."

"Now, to begin proceedings may I thank you all again for answering my call to this meeting so promptly. As you can see we have here the Cabinet, the Shadow Cabinet, as well as the leaders of the other parties plus their advisers. Collectively we represent the nation. And it is as a nation that we are going to have to decide on how to face and answer the challenge confronting us. In front of you, you will find copies of two messages we have received. You can see from the date that the first arrived only yesterday. Only the second one is signed, but it is a fair

presumption to assume they both come from this Mahdi. A few of you have known about these messages, but you should all take a few minutes to read them before we go any further."

For a brief, few moments all was quiet then the Cabinet Room erupted with the shouting of voices, in anger, resentment and astonishment. Suddenly a deep, strong voice broke through the noise.

"Prime Minister," called out Michael Lambert, the Shadow Chancellor of the Exchequer. "We have here the most remarkable two messages I think any of us has ever seen. We have also seen over the last couple of weeks the most appalling run on the pound Sterling that the country has ever experienced. May we presume that these messages go part or all of the way to explaining why the pound has fallen so far and so fast?"

"Michael, may I reply to you as well as to the many questions you all probably have," replied the Prime Minister. "First, we have every evidence to believe that the messages are genuine. Each has arrived directly at my office, coded in one of our top secret military codes. Each has been introduced into our military communications system without its origin being known or detected. Early this morning we received additional confirmation from an agent in Bahrain that this Mahdi is leading a Holy War against us and the pound."

"Prime Minister," broke in the Secretary of State for Labour. "This all strikes me as fanciful nonsense. I know the pound is under pressure. Anyone can see that. But this business of Holy Wars, Prophets and Mahdi's belongs to the world of cheap thrillers. May I ask the Governor whether he agrees with all this nonsense?"

"Please reply Governor," said the Prime Minister.

"I am afraid I do agree with this 'nonsense' as you call it. I wish I didn't, just as I wish the pound had not dropped over twenty per cent this morning. The evidence forces me to believe the messages. The story you have been told is authentic and true. Late last night we even sought the assistance of the American CIA computers to try and decode some messages that we had intercepted. The computers have decoded some of these messages and they refer to the Mahdi as the authority for the selling of Sterling."

"Those bloody Wogs!" shouted a voice from the back of the room.

"Those goddam bloody Wogs!" shouted another voice. "We should never have pulled our troops out of Suez and Aden."

"Gentlemen, gentlemen," called the Prime Minister, trying to restore order. "I know this all comes as a shock but right now we need to remain calm."

"Well, Prime Minister," interjected Percy Hartmen, the Leader of the Opposition. "It would appear that the country is under attack. It also appears that this attack is focused on the pound and from what one can see we are already being badly beaten. As the Governor just said the pound is badly down again this morning. Well, Prime Minister, what is being done to defend the country?"

"We are all in a very difficult position, Percy," replied the Prime Minister quietly. "In the past Sterling has been attacked many times. Sometimes the attacks have been fought off and sometimes the country has been forced into a devaluation. Devaluations used to be of the order of ten or fifteen per cent. Today, as you have just observed, Percy, Sterling in one morning has dropped twenty per cent. What we are seeing is nothing short of a financial panic and rout."

"I don't doubt your description of the present state of Sterling and the currency markets, Prime Minister," Percy Hartman replied. "But you haven't answered my question. What is being done to defend us against this attack?"

"Percy, I didn't answer because I think it is too soon to talk of answers. What I would like to do right now is present you with all the information we have and explore our alternatives. According to the second message we have been given until tomorrow at 4:00 pm before the Mahdi announces his terms, presumably for our surrender."

"It seems to me," said Leslie Goodman, the Foreign Secretary "that we had better get busy and work out what our alternatives are. As far as I am concerned, surrender is out of the question. I don't mind what terms the Mahdi proposes. We must refuse them. But since this is a financial attack, surely it's up to the financial chaps to spell out what we have to do."

"Hear, hear," exclaimed a number of voices together.

"Why don't you tell the buggers to shove off Leslie," shouted a loud voice from the end of the room. "If we could beat Hitler we are not going to surrender to a bunch of Wogs."

"By the way," asked another voice, "where is the Chancellor of the Exchequer. Oughtn't he to be here to help?"

"One at a time please," interrupted the Prime Minister banging the table with a gavel. "The Chancellor of the Exchequer ought to be in Washington D.C. and within the next hour or so ought to be in discussion with top U.S. and World Bank officials. We won't know the outcome of these discussions until later this afternoon, but I can assure everyone that George Bailey has been working hard trying to find a way out of this financial mess."

"Pity he didn't start some time ago," muttered a voice. "Good old George is always late for everything."

"Governor," said the Prime Minister. "I think it would help if you would give a brief run down where we stand and what the present position is like."

"Gentlemen, I have no wish to sound discouraging but the situation is bad. As must be obvious to everyone we haven't got into this mess by some sudden piece of bad luck or mismanagement. As a Nation we have been living beyond our means for quite some years. As long as the rest of the world went with us we were able to borrow enough money to cover our deficits."

"For the last few years everyone has been hoping that our North Sea would bail us out. Unfortunately it hasn't quite worked out that way. The oil is coming out of the North Sea all right but the cost of getting it out is so much greater than anyone expected it isn't doing enough to help out balance of payments."

"But Governor," interrupted Michael Lambert. "Surely we are no longer importing that much oil and so we must be saving billions of pounds a year?"

"Quite right, but our problems stem from our overspending over the past years and the enormous debt we built up. A large proportion of these monies were borrowed in foreign currencies. If our net revenues

from oil exports were big enough we would be earning enough extra foreign exchange to be able to begin to pay back these borrowings. Unfortunately, two things have gone against us. The first is the enormous extra cost of getting the oil out to the North Sea. The second is the terrible fall in the value of sterling. Our foreign borrowings have to be repaid in foreign currencies. Every time the pound drops our foreign debts become that much harder to pay off."

"Governor," asked Leslie Goodman. "With the value of Sterling falling so fast how are we managing to pay our way?"

"Foreign Secretary, that is precisely the problem," replied the Governor sombrely. "As of yesterday, let alone today, we were no longer able to 'pay our way' as you call it."

"What on earth do you mean?" shouted a voice from the back of the room.

"Precisely what I said," replied the Governor quietly. "We have interest payments as well as some debt repayments due and we haven't got the funds to pay these bills with. We have tried to borrow enough money to carry us over this difficult patch. So far everyone has turned us down. The Prime Minister mentioned earlier George Bailey is in Washington right now seeing what he can so to raise a loan from the Americans. However, I think the Mahdi and his forces have beaten us to it. It seems they have already talked to all these bankers because George got a frosty reception when he went round the financial centres of the Continent."

"Then if I understand you and the Prime Minister correctly," said Michael Lambert, "you have got us into a mess we can't get out of. Is that right Prime Minister?"

"Now, now Michael, this really is not the time for playing personalities or politics," replied the Prime Minister.

"That's a bloody fine way to talk after you have landed us in this mess," retorted Lambert. "If the country has gone bust the one thing we ought to do is sack the boss which is you."

At that point the meeting broke down into a clamour of voices all talking at once. The atmosphere had become extremely tense. The problem of whether to resign or not was out there in the open now. The Prime

Minister knew that this was a great opportunity for some to try and get rid of him. Looking across the table at Percy Hartman it just wasn't going to help the country if he took over the leadership. Percy was good at political infighting and the management of modest sized affairs. He wouldn't be the Leader of the Opposition if he didn't have these talents. But he had never been Prime Minister and was just not capable of leading the country out of this terrible crisis. Perhaps he would be a good manager after the storm was over. Right now he would be hopeless - or at least, this was the Prime Minister's view.

"Prime Minister," broke in a strong voice, one of the Cabinet, and the others gradually quieted down. "Prime Minister, could we get back to the question of what to do."

"I think we should Bill, though I don't want anyone to think I am trying to dodge Michael's last remark. I want every one to take a look at the alternatives. Until we have done so I think it is out of place to talk about action or solutions. And I would like to ask Mr. Whitmore, to help us focus our attention on the alternatives by going over what we discussed earlier today."

"I would be happy to Prime Minister," Thomas replied. "It is not easy to put into a few words the breadth and depth of the problem facing us. I will do my best to be clear and will restrict myself to the essentials of the problem. The simplest way to look at our problem is to pretend that the country is like a normal company. A country, of course, is not like a company in some respects for you cannot get rid of the population of a country like you can the work force of a company. Also although you can close a bankrupt company, it is nonsense to talk of closing down a country. However, countries and companies are very much the same when we look at the behaviour of their creditors. Once an enterprise is known to be insolvent, everybody, whoever they are, wants their money back. That is why rumours about a bank's solvency can be so deadly. For once some one suspects a bank to be shaky everybody wants their money back. The bank will have loaned out or invested much of the funds deposited with it so naturally there will not be enough money on hand to pay back all the depositors. If everyone wants their money back at the same time, most banks, however large can be forced out of business."

"Mr. Whitmore," interrupted Leslie Goodman. "If I understand you correctly, you are saying, that once any of our supposed international friends who happen to have loaned us money learn that we can no longer pay our bills, they and all our other creditors will suddenly demand their money back whether these funds are due to them right now or not. Is that right?"

"Yes, Foreign Secretary, that is more or less what will happen."

"Well, one obvious remedy would be to keep ^{them} from knowing we cannot pay our bills," continued Leslie Goodman.

"The difficulty there," interrupted the Governor, "is that everyone who matters in international finance knows the size of our international debts. They also know our income. So it will not take anyone long to see that since the value of the pound has fallen to just about a third of its ^{previous} value we can no longer afford to pay our bills."

"If everyone who matters knows we are bust," called out a voice from the back, "why don't we tell all these so-called friends just to get lost. What could they do about it anyway?"

"Who do we owe the most to anyway, the bloody Arabs?" shouted another voice as the meeting broke down with almost everyone speaking at the same time. After a few minutes the Prime Minister rapped the table and the hubbub slowly quietened down.

"Can we take these questions one at a time please. And perhaps we could take the last one first. Who do we owe the most money to Governor?"

"It is hard to answer accurately, Prime Minister," the Governor replied. "Most of our borrowings have been raised on the Euro currency markets where one just does not know the identity of the lender. Naturally we know the banks who arranged the loans but we don't know who really put up the money. We do have some major loans directly from the oil countries such as Iran, Kuwait and Saudi Arabia. We also have a number of loans, which though they came through the International Monetary Fund could be said to be backed primarily by American funds. Of our total international debt, I would say only about one-third has identifiable lenders. Of these the monies are pretty well equally divided between American and Arab lenders."

"Whose bills have come due that we can't pay Governor?" called a voice from the back.

"It is one of the large Euro currency loans that is our immediate problem," the Governor replied. "The loan is in U.S.dollars and is for \$1.75 billion. We took this loan out five years ago when the rate was roughly \$2.35 to the pound. We received £ 750 million. At this morning's rate of about \$0.86 to the pound we have to repay slightly over £ 2 billion which is over two and a half times what we borrowed. All our international loans pose the same problem. We just cannot afford to pay them back."

"Well, what if we decide not to pay anyone a thing?" demanded one of the Cabinet. "After all our ability to pay is obviously linked to the exchange rate. And the exchange rate is not our fault. If the rest of our so-called friends wanted the rate to be \$3.00 to the pound we wouldn't be in this mess, would we?"

"You are quite right, Wilfred," said the Prime Minister. "But the messages from the Mahdi make it clear that they are doing all in their power to drive the exchange rate as low as they can. So there is no point in us waiting around on the hope that the rate will go better. At least not in the short run."

"But that does not answer my question," Wilfred replied angrily. "If the exchange rate is going even lower, there is even less reason to pay anyone one penny. Why should we impoverish the country just because a group of speculators have manipulated the value of the pound?"

"If it were as simple as that I would agree with you completely, Wilfred," the Prime Minister answered. "Even so we may well decide to do what you suggest, but I think a few words from the Governor might be useful. What happens, Governor, if we refuse to pay any more of our international bills?"

"If we stop paying our bills, all those who supply us with goods and services will stop doing so. We import somewhat over half our food and about the same proportion of the raw materials for our factories. If we stop paying for these supplies shipments to the U.K. will stop. No doubt, in due course, some of our suppliers would be so affected by this stoppage that they would re-open their trade. But, in my view,

it could be quite a while before that happened to any significant extent."

"Governor, if I understand you correctly," interjected Percy Hartman "once we stop paying our bills we can all look forward to being very hungry and unemployed."

"Well, Sir, it is not an appealing prospect, but I am afraid that is what is in store for us."

"This is outrageous!" shouted Michael Lambert. "Is the Prime Minister saying that he and his government have led this country into a state of insolvency where the only solution he can offer is mass unemployment coupled with possible starvation?"

"Resign!" "Resign!" The shouts from the back of the room broke up the meeting. As order gradually was restored the Prime Minister once again broke through the waves of sound to focus everyone's attention.

"Gentlemen, ladies and gentlemen, we have been here for quite awhile. It is getting on for one o'clock and I would judge it time for a break. You now know the full story. Unless the Chancellor finds us some money in Washington this afternoon we are faced with the alternative of surrender on whatever terms the Mahdi lays down or independence with mass unemployment and possible starvation. Our choice between these alternatives must not be taken lightly or without adequate thought. I would like to suggest that you all go off and think about and discuss these choices. According to the second message we have until tomorrow afternoon until we hear the terms of surrender. But if I understand the Governor and Mr. Whitmore's thinking correctly, if we wait until tomorrow to make up our minds it could well be too late. Whatever the terms the Mahdi dictates we must face up to the choice of which way we are going long before tomorrow afternoon."

"I suggest we re-convene here at nine o'clock this evening. By then you will all have had a chance to think the problem over. We will also know whether George Bailey has been able to borrow any money in Washington. Also, I propose to describe our situation to the nation on television this evening at six. There ought to be some reaction to this broadcast by the time we get together at nine. May I wish you a good afternoon. There are many things to do and I shall look forward to seeing you again this evening."

With this, the Prime Minister rose and left the Cabinet Room, a room now filled with silence as each person pondered the awesome choice they faced.

Chapter 14: 1:25 pm London

"Mr. Thomas," called out Samantha as Thomas entered the Partners Room. "Mason said you were on your way, so I arranged for a light lunch in the Board Room. The others, except Mr. Richard are already there and know you are on your way."

"Thank you, Miss Samantha. It has been an exhausting morning. By the way, is Anne coming in this evening?"

"Yes, she is," Miss Samantha replied. "Mrs. Whitmore said she would be at the Dorchester by 5:30 this evening."

"Good. That will give us time for a decent dinner before I have to go back to Downing Street for the meeting at 9:00 pm. I presume there are no urgent messages?"

"No Mr. Thomas," Miss Samantha replied. "Mr. James has all the latest messages, but I don't think any of them are what you would call 'urgent.' There has been a reply about the \$4 billion but otherwise not a great deal."

"Thank you, Miss Samantha. I shall join the others in the Board Room now."

Thomas crossed the Partners Room and entered the Board Room, to find his partners, other than Richard and Timothy of course, seated round the table. The food looked good - cold lobster and crab, cold meats and poultry, several chilled bottles of a very good Chablis and some marvellous looking French bread. It had indeed been a tiring morning, and Thomas thought it was time he had a good strong whisky, some relaxed conversation and some of that delicious looking food.

"Sorry I missed prayers this morning, and I will fill you in on all the latest horrors from Downing Street in due course. But for the moment I am just going to sit down, have a drink and then a quiet lunch. Has one of you got anything amusing to talk about?"

"In times of trouble and crises there are always lots of people around with splendid misfortunes," said James brightly. "I have heard some spectacular tales of late, some of which I even know to be true. The humour is a bit 'black' but definitely suited to the

times. If you are interested I will carry on?"

"Yes please," said Alan. "Just tell us when to laugh and we will do the right thing."

"Well this particular story," began James, "concerns a fund manager called Albert. Albert, or Old Bert as he is known to his close friends, always insists on doing the opposite to what everybody else is doing. Old Bert has the deeply held belief that to go along with what others are doing is to commit the gravest of all investment sins. The crowd almost always loses because it is almost always wrong. 'The best buys are always to be made' says Old Bert 'when everybody else is selling.'"

"So when most of us were paying off foreign currency borrowings Old Bert was in there borrowing every last Euro dollar, franc and deutch mark he could find. For a while Bert was the darling of the consortium banks. While everyone else was paying off their loans his was the only fund borrowing. As borrowers were a bit scarce Old Bert was wined and dined like the last of the big spenders."

"Naturally, Old Bert chose to go into foreign currency loans at precisely the wrong moment. For the last few months he has been besieged by calls for more collateral. Last week his funds went under. He was driven to selling all the investments. The markets are all very low so he didn't realise enough from these forced sales to pay back the loans. So Old Bert is now the proud manager of an insolvent fund which only holds substantial debts in Euro currencies. Every day the pound falls in value his fund goes further into the red."

"Old Bert was very worried when the first margin calls came in. But after a bank has got angry and sold the assets there is very little else they can do. This morning he even managed to make a weak joke about his situation. He called me up to say that the pound had fallen so far it had put his fund into the big time again. I asked him how and why and he replied that it was now into the red by over fifty million pounds."

"Very funny, James," said Douglas. "But I grant you one thing, a negative millionaire is an interesting concept. If one is in debt for enough and cannot possibly ever pay it back, it is the bank which loaned the money that is really in trouble."

"That's right," added Alan. "Negative millionaires became quite common in the stock and property market crash of 1973 and 1974. A lot of individuals as well as companies had borrowed large amounts on the high values of their shares and properties. When the crash came the value of their debt stayed where it was but the value of their assets shrank to a half or even a tenth of their previous values. Those who were caught this way became instant negative millionaires. In the end it was the banks and the finance houses who suffered the most. For the most part the negative millionaires just went steaming on, creating new businesses or restructuring the old, while the banks had to write vast sums off their balance sheets to account for all the bad debts."

At that moment there was a knock on the door and Samantha came in with a telex.

"I know you didn't want to be disturbed, Mr. Thomas," said Samantha, "but this seemed important."

"Thanks Miss Samantha," said Thomas glancing at the telex. "You were quite right. It is important."

"Well chaps," continued Thomas as Samantha left the room. "I feel better able to cope now. Thanks for your efforts at entertaining conversation. But it is hard to be amused by such total disaster."

"If we are back to business," interrupted Douglas "would you please bring us up-to-date on what happened at Downing Street this morning. The foreign exchange markets are a total disaster today. Sterling is falling so fast almost no one will deal in it any more. Around ten o'clock this morning it took a terrible nose dive and although it is falling more gradually now it is only because transactions have dried up."

"It's a long story," replied Thomas. "Early this morning we received the telex from Timothy that you will all have seen. I relayed it to the Governor who in turn informed the Prime Minister. The Prime

Minister wanted to discuss the whole position so I was summoned to a meeting at Number Ten at 9:15. We started by discussing the possibility of a Holy War and the likelihood of there being a prophet or Mahdi. The Governor was of the opinion that whether there was a Mahdi or not the fall in the value of Sterling was now so great that we were no longer able to pay our international bills. We then had a discussion of what happens when countries go bust. In the middle of this happy chat about reneging on debts, another message arrives signed AL-MAHDI. So either someone is being very clever and pretending to lead a crusade against Sterling or we are up against the real thing. In my view all the evidence you have collected Douglas, along with Timothy's messages, say very clearly that we are up to our necks in a twentieth century Holy War."

"You just said messages," interrupted Alan. "Has Timothy sent another one?"

"Yes, he has," answered James. "It came in about eleven o'clock. He said he was off to Saudi Arabia to see if he could find the Mahdi. I called Thomas to relay the message, and Thomas was so worried about Timothy's safety that it has taken me practically the rest of the morning to try and set up Bank and Foreign Office Intelligence Department support and cover for him. Timothy ought to be in Riyadh and I hope he has been picked up and covered by our chaps. Unfortunately, they are not renowned for speed so there is no way of telling if they have done anything."

"We have done all we can," said Thomas. "I really believe in the Mahdi and if he models himself on any of those who have gone before him anyone who crosses his path or works against him will just be executed. Fanatical Muslims take a lighthearted view of other people's lives. If the Mahdi is in Saudi Arabia Timothy will wind up with his head chopped off."

"I don't want to sound heartless," said James, "but could we get back to this morning, please. If it's not a state secret, what was in the Mahdi's message?"

"An ultimatum to surrender the country, with a thirty hour deadline," Thomas replied. "If the Mahdi sticks to his schedule we will receive the

surrender terms tomorrow afternoon at 16:00 hours Greenwich Time."

"So they know we are insolvent," said Douglas.

"It is worse than that. They know we are insolvent because they have made us so. If we wish to continue more or less as we are, enjoying our present standard of living with factories operating and food on the shelves, we are going to have to surrender to the Mahdi. For the country can't continue at its present level without a massive infusion of funds."

"But Thomas," interrupted James. "If we surrender and the Mahdi bails us out, the country will be solvent and the exchange rate will recover."

"That's right," added Douglas. "If the foreign exchange market thought someone was about to finance the country, Sterling would zoom up in value. And the thousands who have sold Sterling short would be wiped out."

"That's right," answered Thomas. "So we^{haven't} thought the problem all the way through, as I am sure the Mahdi is not going to celebrate a victory over Sterling by bankrupting thousands of his faithful."

"Does the Prime Minister realise this?" asked James.

"From what I saw of the P.M. this morning he seemed more concerned about keeping his job than trying to sort out what the Mahdi might actually do."

"You mean the meeting broke up without deciding anything?" asked Douglas.

"Yes, everyone was told to go away and think about the problem. The P.M. said he would address the nation at 6 o'clock this evening presumably to put the country in the picture. We are all going back to Number Ten at 9 o'clock. I imagine this meeting will reach a few decisions, but it's a risky business trying to forecast what politicians will do. They could well spend their time haggling over who is to run the country rather than what to do about the mess we are in."

"By the way, was the telex Miss Samantha brought in about the \$4 billion deposit?" asked James.

"Yes, it is. It appears they have turned down our offer, but now want us to bid on a \$7 billion deposit for 30 days."

"Oh bloody hell," exclaimed James testily. "What do they think they are doing. They know 30-day money is 'hot' and is almost impossible to handle, and to increase the amount to \$7 billion only makes it that much worse."

"Perhaps it is not quite as bad as that James," said Thomas quietly. "What are the U.S. rates today for 30-day deposit money?"

"This morning's quote was 9 1/2 to 9 3/4%."

"And what rate do you suppose the Saudis would get if they tried to place their billions directly with a New York bank?"

"It is hard to say, but they could well be offered something in the order of 4 5/8 to 4 7/8%."

"So if someone offered them 5% to 5 1/4% the Saudi's would be pretty keen to accept?"

"Yes, I would say so," replied James. "But were you by any slight chance thinking of offering them this rate. If so, you must be mad. As how in the name of all that's holy are we going to place \$7 billion so that we don't lose our shirts?"

"A moment ago, I thought you had agreed that we had already lost our shirts," commented Thomas with a smile. "We can't lose our shirt more than once, can we?"

"What on earth are you suggesting?" asked James. "I agree we can't go bust more than once, but why go bust at all. So far I hadn't seen Whitmore's as a bankrupt business. But at the rate you are going, Thomas, we will be there by this afternoon."

"Slow down, James. I haven't gone mad yet, but I have had a thought about the \$7 billion. See what you think. First of all, suppose Timothy is right and the Mahdi is a Saudi. Then the chances are high that the Mahdi has full government backing. As they are about to bankrupt this country I have been thinking about ways of fighting back.

"Now, this Saudi Oil fund has asked us to bid for \$7 billion of 30-day deposit money. Suppose we offer them a rate of 5 1/4% and James is right and they accept. We would then receive a deposit of \$7 billion which at present exchange rates is roughly £ 8 billion. As James points out we run a terrible risk in accepting this money at 5 1/4% because

we just may not be able to invest it all at that rate let alone at a better one. Every one quater of one per cent would cost or earn us \$1,750,000. So how do we eliminate the risk?"

"There isn't any way," replied Douglas. "Unless you are thinking in terms of some currency or commodity that is going to give us a better return."

"No, no, that only substitutes one risk for another. Think again. I used the words 'eliminate the risk .'"

"You are not by any chance thinking of indulging in a bit of fraud are you?" asked James. "As that is the only way which would eliminate the deposit risk altogether. But if we commit fraud surely the entire bank is at risk."

"You are getting close," Thomas answered. "And in case you are getting worried I won't agree to us committing anything approaching fraud without the Bank of England's consent. So suppose we have Bank approval. What would be the best way of taking the Saudis for the \$7 billion?"

"A simple way would be to accept the \$7 billion deposit in the name of a company we form solely for this purpose," replied James.

"Surely they would smell a rat," interrupted Douglas. "After all we can hardly give this new company our own name, and the Saudis have been dealing with Whitmore's for years."

"That is exactly the point," Thomas replied. "Our actual name is Whitmore, Tyler and Gilbey Limited. By common usage we trade in terms of the name Whitmore's, but this name does not legally belong to the bank. Many years ago the family formed a number of shell companies with capital of only a few pounds all bearing variations on the Whitmore name. We did this to prevent others using our name. One of these companies is called Whitmores Limited. The shares are in the names of nominees, though I am the Chairman and sole executive. I would propose to use this company as the one to accept the deposit, supposing we are able to get our hands on it."

"If we do that and we are caught, we will destroy our reputation and hence the bank. Surely no one would ever trust us again." said Alan.

"That's a risk we would run, and one we must think through very

carefully," answered Thomas. "But do remember I said I would not agree to do this without support from the Governor."

"How would you arrange that?" asked Douglas.

"Well, unless we are very careful the Saudis will smell a rat," Thomas replied. "So it occurred to me to ask the Governor to give an apparent guarantee to the Saudis on the safety of their deposit. You have all seen these fake guarantees before now. Some of the African banks specialise in giving worthless guarantees to sight drafts of their client companies. When these sight drafts are presented for collection the bank involved points out that it wasn't their official stamp or their official paper and they therefore are unable to take the responsibility. In the case of the Saudis, they probably believe they will control the country before long including the Bank of England, so anything that looks like a Bank of England guarantee should satisfy them."

"You are a deep and devious soul, Thomas," said James. "Who would have thought you would turn out to be an artist in fraud. To think of all these wasted years, years when you have worked with honest toil to continue the traditions of the Whitmore Bank, years when your genius for the illegal would have earned us considerably more with much less effort."

"To cheat and get away with it once, is probably everybody's due." Thomas replied laughing. "If you make a habit of it it would appear to take a lot of work to stay out of jail. In terms of merchant banks a bit of piracy is common to us all. Most of the big houses began on the proceeds of questionable trade. Some traded in opium, others in slaves, and still others in outright piracy. Even before the present day world of ruinous taxes it took time to amass a great fortune. Then as now there were always people in a great hurry, and for those who run quickly it is almost impossible to keep up the pace and stay honest. Piracy is very much in the blood of merchant and investment bankers, I fear."

"Despite this white wash, do you really think the Governor might conspire to defraud the Saudis?" asked Alan.

"He may refuse. But he doesn't want to be the first and only Governor of the Bank of England to be Governor when the Bank goes bust. A Saudi deposit of \$7 billion which we did not propose to repay would go a long way to settling some of the outstanding debts. It is a much larger sum

than the Chancellor could ever hope to borrow in Washington."

"Thomas, you certainly tell a good tale," said James. "If you can convince the Governor of the virtue of this fraud, then there is no reason why Whitmore's should not lend its name to the cause. It used to be that in the name of one's country one could do no wrong. Times have changed that argument, but your proposal has a nostalgic ring about it."

Chapter 15: 3:15 P.M. London

Thomas leaned back in his chair and closed his eyes. It was going to be interesting to see what the Governor would say to the proposal. He had discussed it at length with James and had then gone back to his desk to check on the messages that had come in. Samantha rang his telephone to say the Governor was coming on to his line. Thomas pressed the scrambler button and said:

"Afternoon Governor, do you have the scrambler on?"

"Yes Thomas, good afternoon. What's on your mind?"

"It's about the Saudi funds. They have changed their minds and now want us to bid for \$7 billions of 30-day money."

"Bad luck, Thomas, but I suppose it's understandable. After all they are not fools, and they will know our position. They must know we are insolvent and that funds deposited with you for a year would be at great risk."

"My thoughts exactly," Thomas replied. "But, originally you expressed an interest in these funds. Do you think you would be willing to back a scheme which brought the \$7 billion to us?"

"What on earth do you mean Thomas? The Bank of England's guarantee won't be worth very much in today's markets."

"That's the whole point. The only people who just might take a Bank of England guarantee are the Saudis. If we are right and the Mahdi is a Saudi they are planning to take over the country and hence the Bank well within the 30-day deposit limit."

"Did I hear you correctly? Are you suggesting we deceive the Saudis by backing the \$7 billion with what would amount to a worthless guarantee?"

"In a manner of speaking, 'Yes' Governor," Thomas replied. Still talking in a quiet, measured voice, "You see once we had their funds we could use the \$7 billion to pay off some of our debts. \$7 billions would go a long way to meeting our more pressing creditors. I agree it would be an act of fraud,

but we are at war, and without Bank support Whitmore's couldn't go ahead with the scheme."

"I see," muttered the Governor. "You were proposing to use Whitmore's name not the Bank's."

"As a matter of fact, I was going to suggest altering your regular seal slightly or perhaps using one that was out of date. I wish to give the appearance of Bank support without you incurring any real legal obligation."

"You are just playing with words Thomas. If this thing is worth doing let's do it properly. After all if the country loses this fight, or surrenders, the Mahdi will control the Bank and he can then enforce whatever guarantees he likes. If we can beat him off we don't want to pay him back anyway. No, no, if we are going to gull the beggars let's do it properly. Hmmm, the more I think about it the more I like the idea Thomas. I can see some snags and we certainly musn't do it without Government approval. Thomas, I had better have a word with the Prime Minister. I will get back to you on this as soon as I can."

"Thank you Governor, I'll be waiting for you," Thomas replied and hung up the telephone.

"Well, James, the Governor seems to like the idea, but wants to get the Prime Minister's approval. I don't know what's in the Governor's mind, but he didn't like my suggestion of faking a Bank of England guarantee. In his words, 'If we are going to gull the beggars let's do it properly.'"

"Great. Your talents seem limitless. As I said before, you will soon have us specializing in fraud if you keep this up. One thing that puzzles me though. If Saudis are against us the Oil Fund will be in on the deal. If and when we make them an offer they will know what we are doing and should be able to think through the consequences. So whether they accept our offer or not will depend on how sure they are that they will win their Holy War."

"I agree. But we won't know until we bait the hook and with any luck we shall be able to do that later this afternoon."

At that moment Samantha entered the room and walked to Thomas' desk

carrying some telexes.

"You look worried Miss Samantha," said Thomas looking up. "What on earth has happened."

"It seems that Intelligence can't find Mr. Timothy. They are quite sure he arrived in Riyadh but once he got there he appears to have vanished. I would have him^{put} through to you but you were speaking with the Governor. Would you like me to call him back?"

"Yes please and what about all those telexes?"

"This lot is from Intelligence in Bahrain, and this other batch is from clients and are for Mr. James unless you wish to look at them," answered Miss Samantha.

"No thanks, James can get on with our clients' problems. I am much more concerned about Timothy. By the way, what was that person's name?"

"Mr. Jefferies," said Samantha as she picked up the telephone and called the number she had been given.

"Thomas Whitmore here, Mr. Jefferies. I gather you haven't found Timothy Stevens."

"I am afraid that is right. We've traced him from the airport, where he landed about 1:30 in the afternoon our time, right into the centre of Riyadh. But he has gone to ground. Our people sent a signal saying they had not been able to locate him, so I thought you ought to know."

"What do you make of it? He's as much one of your people as one of mine so I would appreciate an honest answer."

"There's no need to be that way, Mr. Whitmore. We are all just doing our job," replied Jefferies, stung by his comment. "It is hard to say what has happened to Stevens. He could have gone off on his own. He is trained to do this without leaving a trail for others to follow. But there is the chance that he has been picked up."

"Who by?"

"The opposition, presumably. I don't want you to feel too worried about

this, but Stevens is not the only one who has disappeared."

"Where, in the Middle East?"

"Yes, I know you have been given security clearance, but you will understand if I leave out the details. At first we spread the net pretty wide, but after we heard about the Mahdi we concentrated the effort. You should have received a report by now on the coded messages the CIA computer was working. They confirm the Mahdi's part in this campaign."

"So you have a number of your agents searching for the Mahdi. Are they all in Saudi Arabia?"

"That's an embarrassing question Mr. Whitmore. We are trying to pick up the Mahdi's trail in a number of countries. But we have lost touch with all who went to Saudi Arabia."

"Thanks for the information," said Thomas thoughtfully. "I am sorry to hear you have lost others as well."

"Don't worry too much. It doesn't do anyone any good, and I will let you know if we hear anything about Stevens."

Thomas put down the telephone and walked over to James who was on the telephone. When James had finished his conversation Thomas said,

"They appear to have gotten Timothy."

"Who has?"

"The Saudis. I have just been speaking to a Mr. Jefferies in Intelligence, and all their agents in Saudi Arabia, including Timothy, have gone missing."

"There may be some degree of safety in numbers. If the Saudis have captured several agents hopefully they will think twice before doing anything drastic."

"You may well be right James, but I can't help feeling very worried for him. By the way, the CIA computers have done their stuff and the messages confirm the existence of the Mahdi. They also indicate that the Saudis know all about the plan which says to me the Mahdi is a Saudi."

"It may be guesswork Thomas, but it does fit the pattern of their behaviour over the last few years. Ever since King Faisal was assassinated

the Saudis have been torn by a number of factions all striving to control the country's enormous wealth. In such a power struggle it would make great sense for a Mahdi to step forward to claim the temporal and spiritual crown by leading a twentieth century Holy War."

"You are probably right. From what we have seen so far, the style of this Mahdi just does not fit the other Arab states. The only other possibility is that he could be an Iranian. They have not the wealth of the Saudis, but they have the intellect and the arrogance to believe they could take on Great Britain and win. The Shah is also committed to the grand scheme of being the leader of the Muslim world. But somehow I incline towards the Saudis. They probably have the full backing of the Shah, which was probably what the Iranian Ambassador was trying to tell us yesterday in his round-about way."

"Mr. Thomas," said Samantha as she came up to the desk. "The Governor would like a word with you."

"Hold on James this may be a reply on the \$7 billion deposit scheme." Picking up his scrambler telephone he continued

"Thomas here, Governor."

"Thomas, I have spoken with the Prime Minister about your proposal and he has given a qualified blessing. If you offer to take the funds, he doesn't wish to know anything about it. He has also instructed me not to let the Bank be directly involved."

"The P.M. may have given his qualified approval, but I do not see the Saudis accepting our offer unless it is backed by a Bank of England guarantee."

"We may have been instructed not to be directly involved, Thomas. That doesn't stop us being taken advantage of, now does it?"

"Perhaps you would explain further what you have in mind."

"Earlier when you first spoke about this proposition, you were thinking in terms of making an offer backed by a forged guarantee. I thought it seemed rather a shabby way of going about the operation. But as I have been

directed to keep our official hands off, your approach is the only one we have."

"Perhaps if I spell out what I have in mind you could say whether the plan meets with your approval."

"Go ahead."

"I am proposing to telex the Saudis with our offer to accept their \$7 billion on 30-day call at the rate of 5 1/4%. I shall do this in the name of Whitmore's Limited which is the name of a small, shell company not owned by this bank, but by nominees of mine. The Saudis won't know this, nor will they have the necessary time to find out. To allay any suspicion I shall add that the offer is known to the Bank of England and in the event they accept, their deposit will be backed by a Bank of England guarantee. If we go through with this I shall use Whitmore's Limited deposit acceptance forms and I propose to forge the Bank of England's guarantee onto this acceptance form."

"That should do it. Though you do realise that if it is ever necessary we shall deny all knowledge of what you are proposing to do. The Prime Minister was most emphatic on this point."

"I understand Governor."

"Good luck, Thomas. And if you go ahead with it do let Peters know. He will be briefed so that you will be able to rely on his forgetfulness when the time comes."

"Thank you Governor," said Thomas, and hung up the receiver.

"James," Thomas called across the room. "Would you get hold of Alan and Douglas, we need to put our heads together for a bit."

Well, this is it, thought Thomas as he got to his feet and started pacing the floor. We are now going to have to decide how best to commit fraud. Not a nice decision to make, and it is certainly not recommended as the sort of thing for bankers to indulge in. Nevertheless, the opportunity was there. The enemy had declared war, and by the stroke of a pen Whitmore's could wage its own war back against the enemy. If the plan went wrong Whitmore's would be forced to close. Equally, they could be heroes. It was

very hard to tell which way the ball would bounce. Thomas' job was to see that balls bounced in the right direction as often as possible. It was simply impossible to take care of all contingencies or to accomodate all risks. Life and banking was a process of assessing and taking risks. Thomas hoped that the urge to take revenge on the Mahdi was not blinding or distorting his judgment. On reflection it probably was. So the best he could do was to recognise the fact and trust that the distortions were not too serious. Thomas stopped his musing as the partners gathered around to discuss the plan.

"I have just heard from the Governor about our \$7 billion proposal," Thomas began. "The Prime Minister has given his 'qualified approval.' I did what I could to discover what this meant. It means that we may go ahead on our own, that the P.M. does not want to know a thing about it, but that we can expect support through the back door as and when we need it."

"So," commented James, "the Bank will help but if anything goes wrong it is our necks on the chopping block."

"Yes, that is the position, but if we are all agreed anyway, what I am suggesting is we send the Saudi Oil Fund a telex offering to accept their \$7 billion on 30-day call. We will offer them the rate you suggested, James, $5\frac{1}{4}\%$. We will say in the telex that our offer, if accepted, will be backed by a Bank of England guarantee.

"Now our telex, as well as our cable code name, uses the name Whitmores. Further, I don't believe we have ever dealt with the Oil Fund before. So with any luck they will never have seen one of our deposit acceptance forms. If they accept our offer by telex, that is all we need. Formal documents always follow on days or weeks after the event. By then they will have been hooked and we will have the funds. If we ever get that far it is only the formal acceptance form which will need a forged Bank of England gurantee."

"If we fiddle about enough it could be ten days before we sent them the forged acceptances."

"Won't the Saudis ask to see the Bank guarantee before they hand over the \$7 billion?"

"They may," Thomas replied. "If they do we will have to hope the stamp and signature we apply pass muster. If we were in their shoes I would want to see the Bank's guarantee. Our only hope is that they are so confident of winning their Holy War they are going to lower their guard just enough to let us through."

"After all they probably believe they are going to own the Bank before long," added James. "And they may view the \$7 billion as the money they expect to use to keep the country afloat once they have taken over."

"You could be right James," said Thomas. "There is nothing as convincing as cash on the table when conducting a negotiation. Most people become mesmerised by the cash itself. If it is a large amount the idea of actually possessing the money usually overwhelms normal commercial judgment. If we are all feeling hungry and poor, \$7 billion sitting on the table is going to look very attractive to a lot of people."

"Okay, Thomas, let's hope you are right. We will never know unless we try, so shall I send off the telex."

"By all means, James," Thomas replied. "We will keep our fingers crossed. It's 4:25 P.M. here, so it is 7:25 P.M. in Riyadh. They will be open for another couple of hours so make it a firm offer at $5\frac{1}{4}\%$ for today only. After all with markets in such chaos no one could be expected to hold an offer on \$7 billion open for very long. That way if they are going to accept they must reply tonight."

"Thomas, It's a pity we don't light candles or fire off rockets these days. Here we are launching one of the greatest frauds ever tried, and the best we can possibly do is break a bottle of bubbly."

"Cheer up James," Alan interjected. "This is probably a case where dear O'Reilly's law holds."

"What on earth is O'Reilly's law?"

"If you haven't heard of O'Reilly's law, surely you have heard of Murphy's law?"

"No I haven't."

"Murphy's law says that if anything can go wrong it will."

"And O'Reilly's?"

"O'Reilly's law says Murphy is an optimist."

Chapter 16 5:20 P.M. London (8:20 P.M. Riyadh)

"Er-rasul allah sallat Allah aleh we-salam--the Apostle of God, may the blessing of God be on him and peace," said al Mahdi in a quiet penetrating voice to the group still seated with him. "We must be careful not to become proud with our success. The English are behaving as our plans foretold. But it is as Allah wills. Our cause is just. We will grind them into the dust and utterly destroy them. But it is as Allah wills it. Sallu an-nabi--Bless the Prophet. Abdel-Aziz."

"Es-sala an-nabi--Blessings on the Prophet, al Mahdi. May Allah forgive me I did not mean to boast. But Sterling is broken. It has been driven below the breaking point. England is now insolvent and we shall soon reap the full rewards. It is an exciting time and I forgot myself."

"It was destined to happen. Remember that. We are but servants of a Divine plan. The breaking of Sterling was Allah's will, and the rewards will be Islam's. Al-hamdu li-llahi Rabbi l-alam--Praise to God, Lord of the worlds."

"Al Mahdi," interrupted Price Fahd. "We have just received an offer on our \$7 billion of deposit funds. Whitmore's are offering $5\frac{1}{4}\%$ and a Bank of England guarantee."

"Both are now worthless. But when we are in command both will have full value. Are there any conditions?"

"Yes, the offer is open for today only."

"Telex an acceptance, Prince, but make it subject to a satisfactory meeting and exchange of documents tomorrow in London. It is Allah's will that we use these funds this way, but make sure everything is in order before money changes hands. We hold these funds for Islam and Allah. Protect them with your life."

Chapter 17: 5:25 P.M. London

"Please sit down," said Thomas, taking the armchair at the head of the table in Whitmore's Board Room. "I would like to give you a bit of background to a problem I believe we face. Richard can then tell us what he has managed to do to solve that problem."

"First of all I must apologise to all of you for having taken the decision by myself. But time was pressing. After I received Timothy's message about the Mahdi early this morning I thought through what it could mean for the banking community here in the City. It struck me that we were probably going to have a major banking crisis like we had in the 1973/74 market collapse, except on a bigger scale. The crisis that hit all banks then was a run on their deposits. I am quite sure this will happen again. It could have begun. It certainly will by tomorrow."

"I had wanted to discuss this with you this morning at our usual meeting," Thomas continued. "But as you know, I was summoned to Downing Street. So in the few minutes I had I left instructions for Richard. Since we couldn't discuss it it was better that none of you knew what was being done. So let me now end the mystery and let's find out what Richard has done for us."

"Our position this morning was that we have some £380 millions of deposits. Of these some £220 millions are on day or 7-day notice. Some £85 millions are on 30-day call, about £55 are on three to six-month call and the balance which is about £20 million is with us for a year or more. If there is a full-scale panic in London tomorrow, we can expect to receive notice on all short term deposits and including the 30-day money as well, and most likely, the three to six-months funds. All in all we could be faced with a demand for some £220 million during the next few days."

"But we aren't that liquid," interrupted Alan worriedly. "As I recall we only have a small amount in cash deposits of our own."

"That was our position this morning, and it is probably the position of many banks in the City right now. If we are hit with those demands for funds we will be in serious trouble."

"But that is just what happened in the 1973/74 banking crisis," said Alan. "And some banks didn't survive the onslaught."

"But what can we do, or should I say what have we already done?" asked James. "Because from what you have just said, Thomas, we are now at tomorrow as business is closed for today."

"I am sorry to spring this on you in this way," Thomas replied, "but events were moving so quickly it seemed better to act than to wait. To answer your question, I gave Richard instructions this morning to sell all of our short to medium term assets and call in all of our own funds which were out on deposit."

"You mean to say you have sold off entire bill and loan portfolio?" asked Alan incredulously.

"That's what we are here to find out. Now it's your turn Richard, what miracles have you performed?"

"I doubt if I performed any. But I have sold a good proportion of our short term portfolio. My big problem was knowing how much of a loss to take. I know you left explicit instructions, Thomas, but no one can tell in advance how a buyer is going to react when he sees we are selling our commercial loans."

"Don't worry about what you have done Richard," interrupted Thomas. "I would like to make it clear that we accept whatever you have done without reservation. You were given an extremely difficult job to do with almost no time to do it in. We are not going to jump on you. You have made your decisions, but the problem of the bank's solvency belongs to all of us. So let's hear how it went."

"Thank you, Thomas," said Richard picking up his notes. "When I set off this morning my target was to raise some £220 millions. My first step was to take our portfolio of commercial bills, all of them maturing within 7 days and walk round the discount houses until I had sold them all."

"Did you take your top hat?" asked James.

"No, I am afraid I forgot."

"A pity," said James. "It would have suited the occasion."

"Anyway, top hat or not I started off with parcels of Bank and Fine Trade bills with a value on our books of some £22 millions. To sell for cash delivery this evening I had to give an average discount of about 10%. Everyone wanted to know 'why' and 'what was wrong' and they usually replied 'no thank you' to my first request. It wasn't easy. And, of course, the minute I left one bank and walked to the next, the first bank had alerted the others that I was on the way. But, you don't want to hear about all of that. The fact is we ought to have received about £20 millions in cash for those bills."

"That's good work, Richard," interrupted James. "Once those discount house boys see you coming they take you for every penny they can get. I am sure your first sale was at a discount of 4 or 5% and as you went round the houses this discount kept rising against you."

"Yes, it was just like that. I had to offer a discount of $15\frac{1}{2}\%$ to sell the last few parcels. I have only worked it out rather quickly, but the overall discount seems to work out at about 10%. So as I said some £20 millions in cash ought to have been cleared into our account from the sale of these bills."

"I had a similar problem with our 7-day deposits, Certificates of Deposit, and Treasury bills," Richard continued. "The Treasury bills were the easiest as I only had to call a few brokers to see where I could get the best prices. The market has been falling all day so we have lost quite a bit on them. Likewise on the Sterling Certificates of Deposit. Each bank wanted to know 'why' and 'what do we need the funds for,' etc. When the chat was over I had little choice but to accept their penalty charges which got worse as the day went on. The same was true with our 7-day deposit money, though the penalties were less. The big difficulty was that we have tended to use only a few banks for all our short term operations. Once they realised we were a seller the price just kept dropping against us."

"Take comfort, Richard," said James. "It is a well known problem. Once you are spotted trying to scramble out of an exit everybody wants to profit from your troubles. The first thing they want to do is to discover just how badly you want to get out. The price they offer keeps

falling and if you are in as much trouble as we are you have no choice but to accept."

"I take it that you have managed to sell the lot, Richard," asked Thomas quietly.

"Yes I did, but I am not proud of the result. The total cash raised is way short of the £220 millions you asked for. I have the list here and it is a dreadful result."

"As I just said, I got about £20 millions from our bills. I lost about £3.5 millions selling our £55 millions of Sterling Certificates of Deposit. It sounds horrible, but the market just collapsed underneath me. I did a bit better with our £90 millions of Treasury bills and only lost £1.5 millions on them. To sell our 7-day deposit funds cost us £500,000. The only bright spot was that no one could think up a reason for charging me a penalty on our day money. So those £20 millions came back all in one piece."

"By my arithmetic that adds up to a total loss of some £7.5 millions," said James slowly.

"That's utterly fantastic," said Douglas. "A loss of £7.5 millions on £220 millions of 7-day money looks as though it is a loss of only 3.4% which is not bad for a forced sale. But it really isn't that, is it James? It is a rate of loss which if repeated every week of the year would give an annual rate of almost 200%."

"You are quite right Douglas. And I am sure that is how the discount and other bankers have seen what they were doing. I bet they never mentioned their rates but only gave you their offer price. Isn't that right?"

"Yes, it is."

"So you can see they were calculating in terms of annual rates. And in these terms they were charging you some 200%."

"I am very sorry about that," said Richard. "I did what I could and all I can say is it was not very easy to do."

"Don't worry Richard," interrupted Thomas. "No one has said 200% interest rates are bad. They are definitely usurious. But beggars can't be choosers

and those rates will rise to 500 and 600% by tomorrow morning. So may we please calm down a bit and let us see where we are. According to your list we have lost £7.5 millions. That will mean that we ought to have in our cash accounts total proceeds of £220 million less the £7.5 million or £212.5 millions."

"I am afraid I haven't quite finished my story," interjected Richard. "My first objective was to turn the £220 millions of short money into cash. My second objective was to see what could be done with our 30-day portfolio as well as our three to six months funds. The 30-day portfolio was really very difficult to sell."

"Why is that?" asked Alan. "I thought there was a pretty active market in 30-day funds."

"In normal times there is. But as James said these discount bankers can see you coming from a mile away. We only deal with five of them. So by the time they had bought the £55 millions worth of the 7-day Sterling C.D.'s, they were not the least bit interested in our 30-day Sterling C.D.'s. Naturally, I tried the discount houses we don't deal with as well. There is always a first time for everybody. But I think even they had been warned of my coming, because by the time I was done with the £35 millions of these C.D.'s I had lost us £3.5 million. The £40 million of Treasury bills were easier to sell but we lost £4.25 million on them. I almost couldn't get our own 30-day deposits back at any price. I eventually got £10 millions back for a loss of roughly £1 million."

"Wow," said Alan. "You must have been getting pretty blasé about losing money. A million here and a million there. You have managed to lose some £8.75 million selling £85 millions."

"How on earth are we going to survive losses of over £16 million?" asked Douglas. "It takes years and years to earn that sort of money."

"You are right, Douglas," said Thomas. "It is incredible to have to sell at such massive discounts. But I do believe Richard has done the right thing. Right now Whitmore's is very, very poor. But we are solvent. Even if all our depositors claim their money tomorrow morning we will be able to meet

their claims. Naturally, we will pay out day-call demand deposits in full. But we will impose our own penalty charges if any of our depositors want their 7-day or 30-day deposits back immediately."

"Do you mean to say we could charge our depositors the rates we were charged today?" asked Alan.

"Why not," James preplied. "And if Thomas is right and there is a major panic tomorrow the discount for immediate cash could be three or four times what we paid today."

"Do you think we can recover the £16 million tomorrow?" asked Richard hopefully.

"No I don't," Thomas replied. "But we will get some of it back. And whatever happens we are going to be in a strong cash position. This morning I expected we could have lost up to £20 to £25 millions. If we had waited until tomorrow this loss could have doubled or trebled and Whitmore's could not survive losses of that size. So here we are. Today we have lost some £16 million. But with that cash we will survive. By the way Richard, I presume you have finished?"

"Yes, I tried to get someone to buy our three to six month portfolio but I couldn't get any offer. Three to six month money is temporarily worthless."

"You know, Thomas," said James musingly. "This could turn out to be an incredible opportunity. If the country can work its way out of this mess, deposits due in six months to a year might actually be repaid. If we purchased now at a massive discount we might make an immense return if it all worked out."

"The problem is the 'if' part isn't it?" Thomas replied smilingly. "Don't become too enthusiastic about the size of these discounts. There is no such thing as a bargain in a rapidly falling market. It is my guess we are going to see and hear some incredible stories in the next few days."

"You are quite right, Thomas. In future when afflicted by these spasms of hope I shall lie down until they pass."

"By the way, Douglas. Where has Sterling gone to?"

"About half an hour ago it was being quoted in terms of U.S. dollars

at 0.355. Transactions have dried up though. I imagine everyone is just sitting there holding his breath, waiting for the right moment to cash in. And anyone still holding Sterling is probably totally crushed by the magnitude of the disaster."

At this moment Samantha knocked and entered the room and handed Thomas a set of messages.

"Well here are some people not struck dumb by disaster James," said Thomas looking up. "Here is a message from Anne saying she can't get up to town for dinner as the trains are on strike."

"I'll be damned. The railway men are certainly true to form. Imagine celebrating the collapse of the country in such a traditional way. They strike so often these days they probably only go to work to relieve the monotony."

Chapter 18: 5:50 p.m. London

"Thomas," said James as they returned to the Partner's Room, "I think I have an idea. But first how is Anne?"

"Very well, thanks. Apparently it's one of these lightning strikes. It only happened about half an hour before Anne went for her train. So there was very little she could do. Anne doesn't like driving very much anyway, so there we are. But tell me, what is this idea?"

"First of all, what would happen to exchange rates if the Mahdi announced they were going to guarantee our debts?"

"There would be a fantastic rise in Sterling. So the Mahdi just couldn't do that. His losses would be equally fantastic if he did."

"But if you suppose that he wins this Holy War, once he has won, it will be in his interest to have Sterling revive."

"You mean, once he has won and all those who have sold short have had time to cover their positions."

"Yes, that will be easy to do once we are declared insolvent. But it has only just occurred to me that the Mahdi may be planning on making a profit both ways. Once, right now by selling short and driving us into insolvency. The second time, perhaps in two or three months, after all short positions are closed by buying into Sterling in a big way before restoring our international credit and the currency's value."

"I agree," said Thomas. "That's what I think will happen. And I think the first part will happen whether the Mahdi 'wins' or not."

"Okay, then the only way to defeat the attack is to beat him to the punch. If we could restore the country's credit rating, the value of Sterling would leap back and those bloody wags would lose their shirts."

"The only catch, is how to perform the magic of restoring our credit rating. We have squandered it for so many years it will take some pretty powerful magic to have any effect now."

"That is just the point," said James excitedly. "If we go back to looking at England as a company for a minute one way to pull an insolvent company out of trouble is to arrange a merger with a larger and more powerful group. Whitmore's is supposed to be one of the very best banks at setting

up international mergers. Why can't we set one up for England?"

"But James, the problem here is that our international trading partners have been warned off us by the Mahdi and his gang. We don't know what kind of pressures the Mahdi may have brought to bear on these governments, but I expect they have threatened to withdraw their currency deposits. And they still have the oil weapon in their hands."

"But that is exactly my point. So far we have been trying to borrow further funds and our normal sources are saying 'no more.' The attack on the value of Sterling has wiped us out by making sure that we can no longer pay our debts. So no one in their right mind is going to lend us any more money. My idea is to arrange a merger so that some other country takes us over along with our international obligations. If that happened we would destroy the Mahdi."

"But it just isn't possible to go around arranging mergers for countries. It is not as though there were only a few owners involved. There are some 58 million people in this country. How on earth do you propose to sell the U.K. to someone without getting their approval first?" Thomas asked.

"Well, there may be difficulties, but the idea is sound. After all if the Mahdi wins, all 58 million of us are in some way going to be owned and controlled by him."

"You do have a point," said Thomas musingly. "I like your notion of finding someone to guarantee our international debts. I imagine that is what the Mahdi will do once the faithful have made their millions by covering their short positions. You know James, you just could be right."

"It is one hell of a gamble, but you never know until you try. And as you might well say, Thomas, we have nothing to lose as we already lost our shirts this afternoon."

"Suppose we accept the possibility of arranging a merger who would you choose as the buyer most suited to our needs?"

"The choice is rather limited. I could see the Soviet Union, China and the United States as financially capable of shouldering the burden of the U.K. The Soviet Union and China would probably fall all over themselves to get their hands on us. If we played it right we might even be able to arrange a bit of an auction. But personally I think using either of those countries would be worse than going it alone."

"Not everyone would agree with you there," interrupted Thomas. "The left wing is very strong and there are almost as many supporters for the Chinese brand of communism as there are for the Russian variety."

"But if we don't like Russia or China as merger partners, how do we persuade the United States to play?"

"It is not going to be easy," replied James, laughing. "But you must admit you like the idea, even if I haven't sorted out all the snags. You have very good contacts in Washington, Thomas. Why not pick up the telephone and sound them out?"

"But I can't just pick up the phone and ask Vincent Claymore whether he would like to buy England. I mean what on earth could he possibly say?"

"I know there are problems. But if we think about them for a bit we should see a way through. After all we have managed to beat some pretty nasty problems before. So why not this one now?"

"I suppose it could be managed," said Thomas thoughtfully. "But the political dangers are appalling. In the commercial world, once a bid is announced anyone else who wants to jump into the ring can do so if they want to. If the same sort of thing were to happen here you could have anyone at all putting in a bid for the U.K."

"Would that be such a terrible thing to have happen?"

"If the bids were only finance I might agree with you. But there is no such thing as pure finance when you talk of taking over a country. Armies, wars and the international balance of power come into the equation. Most wars were fought over the possession of somebody's land and resources. An unwelcome foreign take-over of England could start a World War."

"Do you suppose that is what the Mahdi is really after?" asked James wonderingly.

"What on earth do you mean. Are you saying the Mahdi wants to start a World War?"

"No. No. Not a war. But suppose the Mahdi has thought this through. Suppose he expects his Holy War to be unacceptable not only to the U.K. but perhaps by a lot of other countries as well. After all it is a pretty threatening gesture to smash a currency and drive a country bankrupt."

"Now suppose Russia, China or the United States feel strongly enough about what the Mahdi is doing to make a counter bid. If such a counter offer

became public knowledge, the Mahdi could make a second immense fortune without having to do anything for it. It could be an incredible play! Why it is sheer genius!"

"Not quite James. After all suppose events happen as you suggest and the Mahdi gets beaten by a Russian or American counter offer. The Mahdi is going to look pretty foolish to his followers isn't he? I agree with you that if he gets his investment timing right they will make an immense profit out of the exercise. But he will have lost his Holy War."

"But the point is that he may only be after the project. The rest may be an elaborate cover to keep us from seeing what he is really after."

"James, that is one hell of an idea. Look, its time for the Prime Minister's broadcast. Let's see what he has to say. If he lays everything on the line and tells the public about the Mahdi, then let's think again about your scheme. If we are going to smash the Mahdi it is going to have to be done pretty quickly. For once he has won the first couple of rounds he is going to be in a fantastically strong position."

"Okay. Let's join the others at the TV set and see what the PM has to say."

Thomas and James walked over to the conference area where Thomas had spoken with the Iranian Ambassador just twenty-four hours ago. A colour television set was fixed into the bookcase so that everyone could watch while sitting comfortably in the easy chairs. The others were already there and the Prime Minister had just begun to talk.

"As you are probably all well aware, the value of the pound in world currency markets has fallen heavily over the last few weeks. Until very recently your government did not know of any particular reasons for this severe run on the pound. Yesterday morning we were told by an unnamed source that our country and particularly our currency was under attack from a foreign power. This morning it has been confirmed that a deliberate attack is being made. We received a message from a source identifying himself as the Mahdi who claims responsibility for the attack."

"I won't bother you with a lot of ancient history, but the name Mahdi is a title adopted by Muslim religious and political leaders who claim they are descended from the Prophet Muhammed. The last time we ran into a Mahdi was at Khartoum in Gladstone's time. Then, General Gordon was sent to keep the garrison in Khartoum safe from a band of warring Muslim tribes. These tribes were led by a man calling himself the Mahdi. The Mahdi and his army

laid seige to Khartoum. They eventually took and sacked the city and killed General Gordon. It wasn't until years later that the British Government sent out an expeditionary force under Kitchener to take Khartoum and defeat the Mahdi. Kitchener smashed the Mahdi's forces and recaptured Khartoum."

"Today it appears that another Mahdi has arrived on the scene. Like his predecessor he has declared a Holy War against us. Unlike previous Holy Wars, however, the battleground today is the field of international finance. This Mahdi has chosen to wage war by attempting to destroy the international value of Sterling. With any surprise attack the advantage usually goes to those who strike first. Over the last few weeks the value of the pound has dropped to about a quarter of its previous value. This is a monstrous crime against us all. None of us can escape the effects of this terrible fall in value. If the pound stays at its present level it will be catastrophic for all of us living and working in England."

"Earlier today, I met with the Cabinet, the Shadow Cabinet and the leaders of the other two parties plus their advisers. Everyone was given a complete briefing on our present position. Later this evening I shall meet again with the same group to see if together we can work out a set of proposals which we can all agree upon. This special meeting may take some time, so this evening's session of Parliament is being postponed until 9:00 a.m. tomorrow morning. At this time there will be an emergency debate on our position both in the Lords and the House of Commons. An emergency debate is required because the last message from the Mahdi contained an ultimatum. The Mahdi has given us until 4 o'clock tomorrow afternoon to surrender. He has not yet stated his terms. He proposes to do so at 4 p.m. tomorrow."

"I am sure I am speaking for all of you," said the Prime Minister somberly, "when I say that the British people will never willingly surrender to anyone. Unfortunately the position is not as simple as it sounds."

"First one has to realise that the attack on Sterling has been successful. Many of you may well be thinking 'but that has nothing to do with me.' Regrettably it does. Over the last eight to ten years we have been borrowing money from many sources outside this country. A great deal of the capital investment in our coal, oil, gas, electricity and our heavy industries has been financed with these borrowed funds. These debts, like any other loan, has to be paid back. And as all of you know payments of interest as well as principal are made at regular intervals. With the fall in the value of the pound the cost of these payments has gone up four times. We simply cannot afford to pay this price."

"When I say we cannot afford to pay this price, I mean precisely that. This morning at the special meeting I mentioned before, the Governor of the Bank of England made the statement that we could not pay the bills presently due. So as I said before the problems we all face are not as simple as they may seem."

"No one can take our country from us if we refuse to let it happen. This Mahdi will probably offer to let us borrow more money to pay the bills we cannot presently afford. But that is not the important point. What is important is what you and I, the British people, feel and wish to do. If we reject the ultimatum we will remain free but we shall be very poor. It will take us a long time to work back into a position of financial strength. During that time we will not be able to afford to import the things we are used to. During that time many of our factories will be shut and our shops closed, as we will not be able to buy the materials they require. During that time we will be in a state of economic siege, something the nation has not had to face since Hitler threatened our shores."

"I say this to you," continued the Prime Minister, "not because I wish to frighten or alarm. But because it is important that you have a voice in the decisions Parliament is about to make. There is not a great deal of time before Parliament meets tomorrow morning. But to help you register your opinion I have asked BBC as well as the independent radio and television companies, to answer your calls. If between now and early tomorrow morning, you will call your nearest radio or television station and tell them your opinion, these views will be brought together and sent on to us in London. Please be brief as there isn't much time and Parliament needs to know what you think by tomorrow morning at 9 o'clock."

"There can be no doubt that we face a grave crisis. Equally, I am sure that together we shall see it through. I urge you all to remain calm. This is a time for putting aside our differences, a time for pulling together as a nation, a time for facing up to the crisis and the immense challenge that lies ahead."

"Thank you and goodnight."

Chapter 19, 6:15 p.m. London (1:15 p.m. New York)

"Wow," said Alan, "breaking the deep silence that had fallen on the room once the television set had been switched off. The Prime Minister really laid it on the line didn't he?"

"I can see why you had me out selling everything we had today," Richard added.

"As you so aptly phrased it, Alan, he really laid it on the line," said Thomas. "Well James, I am sure the Stock Exchange will be closed for tomorrow. You can't have emergency sessions of Parliament and not close the Exchange."

"That is quite an idea, asking everyone to telephone their views, isn't it?" said Douglas. "It will probably turn out to be a complete jumble of opinions giving no clear answer either way. But at least everyone will have had a chance to express his view."

"It is a clever move all right," said James. "If he is out to hold on to the leadership at all costs, he is playing his cards the right way. Did you notice how he began using the words 'your Government' and ended giving the very firm impression that it was up to Parliament to decide. I presume he thinks they are one and the same, but most of his listeners will be thinking of some National or Coalition Government."

"You are a cynical old man James, though you could be right. I suppose I will see more of that later this evening. Well there we are. There isn't anything more we can do this evening except drown our sorrows or whatever else you would like to do. I want to see you all in here early tomorrow. Although Parliament meets at 9 o'clock which is hours before its customary opening time, I don't think events are going to wait for Parliament. We had better start by 8 o'clock."

"Thomas, do you have a moment before you go?" asked James.

"I have almost three hours," Thomas replied, "now that I am not dining with Anne. What's on your mind?"

"Have you thought any more about that scheme we were talking about?"

"Yes. And now that the Prime Minister has told the world of our problems I feel better about doing something about it."

"Such as?"

"I still think it would be wrong to call Vincent Claymore. He is the

the Secretary of the Treasury and anything I said he would have to treat officially. That wouldn't work. But I have been thinking of calling Alex Witter at Bateman's. Alex and I are old friends. He is the President of Bateman's now. We got to know each other well when he was helping to build Batemen's into a leading international investment bank. He knows a lot of the top people in President Whitely's administration."

"I see your point," said James. "If you talk to Alex Witter he could help us work out the best way to test President Whitely's reaction."

"He could go one better than that. Alex claims he used to play golf regularly with President Whitely. I don't know whether he still does, but he is an old friend. So it might be possible to get a direct, unofficial reaction from the President without going through official channels at all."

"That would speed things up."

"Hmm. It is almost 6:30 p.m. That will make it 1:30 p.m. on Wall Street. Alex was never one for a big lunch, so we could be lucky and find him in. Let's see if Samantha can track him down."

"Miss Samantha," called Thomas over the intercom. "Would you please try to locate Alex Witter in New York at Bateman's. Please tell them it is fully urgent and if they have a scrambler line to use it. If he is not in his office, please try and reach him wherever he is. Thank you."

"Now James, we are going to have to sort out an approach that will catch their attention."

"Surely they will have been doing a certain amount of thinking already," said James.

"They are surely worrying about us. But it may not have gone beyond the worrying stage. After all, put yourself in their shoes and ask yourself what you could do about the situation anyway?"

"Ah, there's your phone light, perhaps that's Alex," interrupted James.

"Mr. Witter is on the line for your Mr. Thomas," said Samantha. "He has his scrambler on."

Thomas pushed his scrambler button and said,

"Thomas here, Alex. How are you?"

"Very well thanks. What brings you to Wall Street today? Thinking of looking for a new job? You guys sure look as though you have your problems all right."

"You could be right Alex. I might need a job before too long. But that

wasn't what I called about. Have you got a few minutes to spare."

"Look Thomas, stop playing about. My girl hauled me out of a meeting saying you wanted to speak with me urgently. Now don't go all limey on me with this 'can you spare a minute.' I am here on the other end of the line, scrambler and all, so go ahead."

"Okay Alex, but slow down please, I am in a stew because what I want to tell you is international dynamite and it is hard to know where to begin."

"Begin wherever you like, pal. I'll pick it up from there."

"Let me begin by telling you that today the British Government received a demand for unconditional surrender from what we assume is a Saudi Arabian calling himself the Mahdi. We have confirmed to our satisfaction that the attack on the pound was launched by this Mahdi and his forces. We believe the Mahdi has the political and financial backing of Saudi Arabia, and most probably Iran, Libya, Kuwait and the Gulf States.

"As of a few minutes ago, the Prime Minister told the nation on a nationwide broadcast that the fall in the value of the pound made it impossible for this country to pay its bills. In short, Alex old friend, the Mahdi has won the first battle and has made us insolvent. I know this is true and I imagine that Stoddart and Claymore are also aware of this situation. There is to be an emergency session of Parliament tomorrow morning at 9 o'clock our time, presumably to resolve whether we surrender or not. Either way, I don't think Parliament's decision will matter too much, except as an expression of the British people's will."

"That's quite a tale, Thomas," interrupted Alex. "I knew parts of it, but not the whole bit. What can I do to help?"

"Alex, think back to the Drayton affair when we teamed up to sort out that vast and tottering group?"

"How does that relate to your position?"

"We helped rescue that group by arranging for Solar Enterprises to take them over in exchange for giving their bankers the guarantees required to keep them upright."

"That's right, but I hope you are not suggesting that Uncle Sam lends you more money. Your Chancellor of the Exchequer, George Bailey, has been doing the rounds today and as far as I know he has been turned down cold."

"I imagined that would happen, but that's not what I had in mind. I was suggesting that one way out of our troubles would be for the United States

States if we declare ourselves bankrupt. For I can't believe Parliament will agree to any terms coming from an Arab. And the alternative is to declare ourselves bankrupt, declare all our international debts null and void, and go into a siege economy."

"You sure are going to be poor."

"Yes, we are. And that is another point to make with President Whitely. As we will not be able to afford any imports this will affect U.S. exports. We are also going to have to shut most of our factories. And a large number of those factories are owned by American companies. So American investment in England is going to take quite a beating. Once this fact is known there will be a lot of people asking your President to do something about it."

"Asking my foot!" said Alex, "if it works out the way you are describing it, they will storm the White House. You are talking about a total write-off."

"For quite some time I would think. Eventually we will recover. But as you well know it takes a long time to recover from bankruptcy. Anyway, may I remind you that the Prime Minister said the nation could no longer afford to pay its bills on TV tonight. So I leave you to guess how long it will be before all the ships in our ports stop unloading, batten their hatches and head for home."

"You are certainly full of cheer today, Thomas. You were right about it being urgent. But how quickly do you expect the United States to move on this, just supposing something could be done?"

"The sooner the better. If one leaves it too long the Mahdi will have time to unwind the short positions. And once they hear that the United States is considering making some counter-offer they will probably buy into Sterling to make even greater profits from Sterling's recovery. If we are going to smash the Mahdi he has got to be caught with his short positions uncovered."

"That's a vulgar way of putting it. But I take your point. It's dirty pool, but I agree we have played it that way before."

"I'll tell you what," Alex continued, after a slight pause. "I'll get on to Jim Whitely and see how he reacts. You have given me enough to go on. If he shows any interest at all he will insist on taking it to the National Security Council and perhaps the Cabinet. So there won't be much progress to report until this evening. But I will let you know once

I have spoken with the President and I will give you his reaction. Okay?"

"Yes, that will be great. Just telex a reply whenever you can as I am going to be tied up attending a special meeting of the Cabinet tonight."

"Have you been appointed to the Cabinet?"

"No, No Alex," Thomas replied laughing. "I am just attending as an adviser of some sort."

"Okay, Thomas. You go and do your advising and I will get back to you as soon as I can. Bye for now," said Alex, and broke the connection.

"Well, there we are James," said Thomas as he slowly replaced the telephone. "I have put my foot into it now. If this scheme backfires I could be accused of being a traitor."

"Steady on Thomas. We are only doing what we can. It takes 'two to tango' as the saying goes. You can't sell out the country all by yourself. All we have done is get in touch with a potential buyer and ask him whether he might be interested."

"Comforting words James, but I doubt whether everybody will see it that way."

Chapter 20: 8:30 p.m. London

Thomas and James sat back in their chairs relaxing over coffee and an excellent vintage port. They had agreed to forget about business over dinner. They had chosen to dine in the Dorchester Grill Room and had dined extremely well, as is customary in that famous restaurant. For an hour and a half they had reminisced over excursions, outings and banking they had shared. James has joined Whitmore's some fifteen years ago when Thomas's uncle, the formidable Sir John had been in charge. James had proved to be a top class investment manager, and in the process of doing so had shared many a problem with Thomas who was Sir John's obvious successor. It had been a pleasant interlude but as James looked up to enjoy the color of his port in the cut crystal glass, he saw the head waiter bearing down upon them. He turned to Thomas and said,

"It looks like the truce is over. Charles is undoubtedly bringing us bad news from the world outside."

"Mr. Whitmore," said Charles the Head Waiter. "There is a telephone call for you at the desk. I told the party that you had not finished your dinner. He asked me to say it was a Mr. Burke, that he apologised for disturbing you, but could you please come to the phone."

"Thank you Charles. Please tell Mr. Burke I will be right with him."

"Well, James, there we are. It was a very nice dinner, and thanks for your company. Burke wouldn't have called unless it were important. Let's go and see what has happened."

So saying, Thomas and James rose and walked across the dining room. As they passed the Head Waiter, Thomas said,

"I'll take the call in one of the booths, thank you," and walked through the lobby to the phone booths.

"Thomas here," said Thomas after picking up the telephone indicated by the bell boy.

"Sorry to bother you Mr. Thomas, but I have a telex here from the Saudi Arabian Oil Fund,"

ACCEPT YOUR OFFER OF FIVE AND ONE QUARTER PER CENT FOR THIRTY-DAY
CALL DEPOSIT OF SEVEN BILLION DOLLARS U.S. SUBJECT TO APPROVAL OF
OUR LONDON REPRESENTATIVE SUGGEST DOCUMENTATION PRESENTED FOR
ACCEPTANCE AND SIGNATURE LONDON. TOMORROW.

"Thank you Burke. You were quite right to call. It is important. I have Mr. James with me here and if we decide to do anything further this evening he will be in touch with you. You know I will be at Number 10 from 9 o'clock. Please don't hesitate to call me there, Burke, if any other messages like this one come in. Goodnight."

"Here's the message James," said Thomas as he handed over the notes he had taken. "It would seem that the Saudis are concerned for the safety of their \$7 billion but are sufficiently greedy or confident to accept."

"We are well and truly hooked, if that is what you mean. They have only said 'Yes' subject to an inspection of documents. Our forgery had better be pretty bloody good or we will all see each other next in jail".

"Oh, I don't think it is as bad as that. I grant you we are a long way from being home and dry. But you must admit that they have taken the bait. Also the Governor did say that he would give us as much help as he could. So what we ought to do in the next five minutes, before I have to push off for Downing Street is to sort out how to deal with this situation."

"In for a penny, in for a pound," replied James cheerfully. "It has been very nice knowing you Thomas. Perhaps we will be allowed to share a cell together. But on the slim chance that we do get away with it, will you please excuse me from any further acts of high piracy. It is quite clear to me that I am not up to the splendid traditions of pirate bankers."

"I agree it is not going to be easy," said Thomas as they made their way back to their table and the last of the port. "But what if we set up a meeting for late in the morning. I presume their London representatives will be on to us first thing tomorrow. If we were genuine we would want to tidy it all up as quickly as we could. So let's act as we normally would. The tricky part will be the Bank of England guarantee."

"You are not just kidding. How on earth are we going to produce an acceptable forgery?"

"One thing at a time, James. What would we do if this whole business were genuine?"

"First we would get the paper work together and make sure it was correctly filled out," replied James. "Then if there was no particular rush we would send the papers off to the bank doing the guaranteeing. They would process the documents, stamp and sign them, and in due course return them. If it

was a rush job, we would hold a meeting with representatives of all parties and signatures would be applied all in one session."

"Hmmm," said Thomas. "That's the snag. Having all the signatures applied in one session. What if we had a meeting with everyone there, but the documents signed in advance. Would that stand up?"

"You mean have someone from the Bank of England sit there and acknowledge the forged guarantee as genuine? They would never do that in a million years!"

"Perhaps not. But if we set the stage properly the question will never get asked. All confidence artists are experts at the business of setting the right scene. And tomorrow we must learn in one lesson how to do it right.

"Think about it James," Thomas continued after a pause. "If a senior man at the Bank of England is sitting round the table would anyone dream of questioning the genuineness of a document purporting to be signed by his bank. After all such guarantees require more than one signature anyway. If the Saudi representative doesn't like what he sees, he can withdraw, but won't be able to ask for a comparison of signatures."

"It could just work," said James. "If we set everything up in the Board Room and get Peters over from the Bank it will look very official."

"What if we got permission to use one of the Bank's conference rooms?" asked Thomas.

"That really would do the trick. No one would doubt the documents or the Bank's backing then. Do you think you can swing it?"

"I don't know. If I get a moment alone with the Governor I will ask him this evening. Otherwise I will have to leave it until tomorrow morning."

"When do you suggest we do the documentation?"

"I have to be off now, so let's work on that early tomorrow. Give the scheme some more thought and maybe we can come up with an even better solution."

"You set the stage within the hallowed halls of the Bank of England and no one would dare challenge anything let alone a simple deposit acceptance form."

"We'll see James," said Thomas as he rose to leave the room. "See you in the morning, and if you want me I will be sleeping here as and when we are released from Downing Street."

Chapter 21: 9:15 p.m. London

The Prime Minister looked worn and anxious. The pressure on him had been intense for the last few days and it was beginning to show. Tired though he was, he had lost none of his cunning, nor the use of his tricks for managing committees and conferences. With all eyes upon him, he continued to adjust and fiddle with the papers in front of him until complete silence finally descended upon the room.

"Ladies and gentlemen," the Prime Minister at last began. "Before we begin, may I apologise for not having had the time to reach all of you personally about cancelling tonight's session of Parliament and about the emergency session tomorrow morning. Time was short and it seemed best that we should be free as long as we need to here this evening without the added concern of getting back to Parliament.

"I have also taken the liberty," the Prime Minister continued after a pause, "of drawing up an agenda, or Order paper if you prefer, to focus our discussions this evening. I have no desire to limit discussion or direct you down particular paths. However, we are a large gathering and not everyone will have all the time they would like to make their views known. So along with the agenda which is now being placed before you, may I ask you to consider a proposal to limit all remarks on each and every occasion to less than five minutes. I have a number of items to report to you, but even with those I propose to keep within the five minute limit. Would you agree Percy?"

"Five minutes is going to be a bit of a strain," replied Percy Hartman, Leader of the Opposition. "Some of our colleagues on both sides of the House can take more than five minutes just to get going. But I see your point, Prime Minister, and unless anyone has a strong objection why don't we try the five minutes rule. If it doesn't work we can always alter it later."

"Thank you Percy," said the Prime Minister. He paused to let everyone have enough time to consider the agenda.

"Very well, I take it everyone has looked at the agenda and I trust I have not left off anything important. Naturally, you are all free to raise any subject you like, but as we are all well aware a meeting of this size

must have an order to its business. May I take it that you have no objection ?"

"I suggest we let the agenda stand as it is," volunteered Michael Lambert, the Shadow Chancellor of the Exchequer. "As you just said, Prime Minister, it doesn't prevent us from raising any subject we like as we go along. But a meeting without an order of business is quite pointless."

"Thank you Michael. Very well, if there are no further comments let me begin with the matters arising from this morning's meeting."

"First of all I have had a long chat with George Bailey in Washington. His trip has not been a success. George has called on all our old friends, and despite his best efforts has been turned down everywhere. We are not going to get any help from the outside now. We must look solely to our own resources."

"Did George say why he was turned down?"

"He did. Apparently on each occasion he was given a lecture on how we have squandered our resources and lived beyond our means for so long that our friends have grown weary of supporting us. The present state of the pound was taken as a perfectly clear indication of what the rest of the world thought."

"And no one in Washington expressed concern for their own investments in this country?" asked Michael Lambert. "Because it seems to me that the Americans stand to lose an enormous amount by letting us go like this."

"I asked George that, because I agree. American investment in this country is huge particularly if you add in their oil interests. I had expected them to respond to our requests on the basis of self interest alone. Bailey found the mood in Washington to be hostile. He was told more than once that it would probably do us good if we were very poor for a while. That it was time we buckled down and got to work for ourselves instead of living off other people's handouts. I could go on, but I think I have said enough for you to get the feel of what Bailey ran into."

"The bloody Wogs," snapped a voice from the back of the room. "Imagine turning the Americans against us. We saved the free world once. Churchill would turn in his grave if he heard this."

"If I may go on," interrupted the Prime Minister gently but firmly. "We have had a further message from the Mahdi. He either watched or heard my broadcast this evening, or had it relayed to him, because the message refers to it and the emergency session of Parliament tomorrow. The message arrived a few minutes ago which is why I was a bit late to this meeting. Let me read it to you:

PRIME MINISTER, MAY WE CONGRATULATE YOU ON YOUR BROADCAST. YOUR CANDOR WAS TOUCHING. HOWEVER WE TAKE EXCEPTION TO YOUR REFERENCES TO MYSELF AND OUR GLORIOUS ANCESTORS. REMEMBER, 'THERE IS NO GOD BUT ALLAH AND MOHAMMAD IS HIS PROPHET'

PRIME MINISTER, YOU NOW KNOW YOUR INTERNATIONAL FRIENDS WILL NOT HELP YOU. YOU HAVE ANNOUNCED TO THE WORLD THAT ENGLAND CAN NO LONGER PAY ITS BILLS. NOW NO ONE WILL EVEN THINK OF HELPING YOU.

PRIME MINISTER, BECAUSE YOU HAVE SENT AGENTS TO FIND AND DESTROY US AND BECAUSE YOUR EMERGENCY SESSION OF PARLIAMENT IS TOMORROW MORNING YOUR SCHEDULE HAS BEEN ALTERED. YOUR PARLIAMENT IS TO AGREE TO UNCONDITIONAL SURRENDER BY 1300 HOURS GMT TOMORROW, BE ASSURED, PRIME MINISTER, THAT IF YOU REJECT OUR OFFER THE LIVES OF YOUR AGENTS STAND FORFEIT.

AL MAHDI

"The bastard," shouted one voice over the uproar of sound that filled the room. Shock, dismay and outrage were registered around the long table.

"I'll never surrender to the bloody Wogs," shouted another outraged voice.

"Prime Minister," called out John Carswell the leader of the Liberal Party, "Prime Minister," he repeated as the strength of his voice gradually brought order back to the room. "You mentioned that this message arrived just before the meeting began, is that right?"

"Yes it is, John," replied the Prime Minister.

"Did it come by the same coded route the other came by?"

"I believe so. Does it matter, because I can certainly find out?"

"It is the reference to our Agents which bother me most," said John Carswell. "I presume that they are Intelligence Agents sent out to find the Mahdi. Our security must be very sloppy as the Mahdi not only has captured our men but he also uses our communications networks at will."

"I have to agree with you John. I have asked for a full investigation by Security. But it is very much a case of bolting the stable door after the horse has gone. We can't repair the damage that has been done but we must find and plug the leak."

"Just how many agents have we lost?" called out a voice from the back of the room.

"Intelligence are a bit uncertain on that point. Fifteen agents have gone 'missing' in the Middle East over the last two days. What we don't know is whether they have ducked out of sight for a bit or whether they have been captured. From the Mahdi's message it seems likely that they have all been captured."

"So he is now proposing to hold us to ransom for their lives," said Percy Hartman slowly. "For the last few weeks he has been busy ruining us on the international financial markets and now, I repeat, he is proposing to blackmail us with the lives of our own agents."

"Correction Percy," interrupted Leslie Goodman, the Foreign Secretary. "The Mahdi is blackmailing us, not just proposing to. If we take the most pessimistic view, he is holding fifteen lives in his hands. I don't know what Parliament will say tomorrow, but fifteen lives are a lot to have on one's conscience."

"We're not going to surrender this country for fifteen lives," shouted Julius Steinhart, a veteran junior minister. "We lost thousands of lives fighting Hitler without stopping to count the cost. Blood, sweat and tears it was and none of this nonsense of surrender."

"Gentlemen, gentlemen," called the Prime Minister, banging the table with his gavel. "I know how you feel. That message didn't make any better reading than it did listening. But is it there and we cannot ignore it. I know that in wars thousands of lives are lost without counting the cost. But it is a sad fact that Leslie is probably right. These fifteen lives are going to weigh more heavily on us all than countless battalions of armed troops. Somehow the threatened death of a few always strikes more deeply than the slaughter of thousands."

"However, can we get back to the main items of business. There is no question of the extent of the threat facing the country. We are now cut off and alone with a pirate on his sand dune crying for us to surrender. Whatever we may feel about it we cannot ignore the fact that we are now cut off and alone. And in my opinion we must take this situation and the problem of how to deal with it as our prime task this evening."

There was a murmur of assent and a scattering of "Hear, Hear's". Nodding to the agreement, the Prime Minister said.

"Unless any of you object I think we should tackle this problem as one

nation. In my view we must put aside our party and political differences and act for the nation as one body representing them. Constitutionally, of course, one cannot form a national government without due process. But if you would allow the use of words may I propose that we immediately form ourselves into a National Board with all due powers and rights necessary to tackle the tasks before us.

"Before anyone comments on that proposal I should like to say one more thing. It was brought to my attention this morning, as well as later during the day, that a number of you would prefer me to resign as Prime Minister. For the moment I think such an act is beside the point. But, just so that no one is in the least doubt of my intentions or devotion to this great country of ours I present to you at this moment my signed but undated resignation. If right now or at any later time it is your judgment that the country will be best served by my resignation, you have it in hand."

There was a silence throughout the Cabinet Room as the Prime Minister stopped talking and looked in turn at the many faces seated around the long table. If there was to be a palace revolution it was certainly a good idea to get it over with right at the start. Thomas looked across the table at the Prime Minister. They might all have just witnessed a brilliant display of deception. Otherwise, what had just happened was the gesture and words of a sincere man. Thomas looked around to see who, if anyone, would grasp this open invitation to unseat the Prime Minister. The most obvious candidate was Percy Hartman and as Thomas turned to look at him Percy began to speak.

"Prime Minister, may I on behalf of my party, and I hope the rest of us here accept your challenge to act as a national enterprise. May I also acknowledge, again certainly on my part and I hope for the rest of us here as well, the sincerity of your offer to resign. It is a gesture of great strength and of true leadership. For my part I urge all of us here to refuse to accept it. Our job this evening is to join forces and to devise a plan to guide our future actions. I know we all have our political differences, but now is not the time to argue or display them. If there are no objections, I would like to second the Prime Minister's proposal that our first act this evening is to form the National Board with such powers and rights as we may require, and having done so may I suggest that all present in this room become members of the National Board forthwith."

There was an immediate exchange of views around the table, but unlike

earlier outbreaks the tone was subdued. No one seemed eager to speak out either for or against the proposal or the resignation. After a few minutes the Prime Minister rapped the table for attention and asked for a show of hands on the proposal to form the National Board. The motion was carried by a large majority and the Prime Minister nodded to Percy as he declared the National Board to be in session.

"Our first priority is to decide what has to be done with regard to our financial position," began the Prime Minister. "I am fully aware that we must not trespass on the rights and prerogatives of Parliament. But there are certain actions which have to be taken and which do not depend upon Parliament's decisions tomorrow. In this regard, I think it would be helpful if the Governor gave us his views on what needs to be done."

"I shall do my best Prime Minister," responded the Governor gravely. "It is not often that countries are placed in this position. The procedures for handling such crises are not very refined. In totalitarian states they are accompanied by excessive use of force. I sincerely trust that however desperate our position we can maintain our strong democratic traditions and sense of fair play.

"However, my apologies, I have digressed from my brief. To begin, we must recognise the fact that as of your broadcast this evening, Prime Minister, most if not all countries will stop trading with us. So we are faced with two major problems. The first is food and the second is supplies for our factories. We must immediately turn our energies and resources to the production and distribution of food. We also need to decide how best to allocate the scarce raw materials within the country to the factories able to make best use of them."

"That's a tall order, Governor. But none of us can deny their importance. It seems to me that we should spend some time discussing ways and means of tackling these problems," said the Prime Minister.

A long and voluble discussion then took place on the pros and cons of the various ways of setting up the necessary machinery. Political views and old rivalries which so far had been kept at bay left forward. Impassioned arguments were given on the advantages of setting up a system of centralised controls. Equally impassioned replies spelt out the horrors of central control and the cost benefits of decentralisation. Though the newly formed National Board was supposed to operate as a single voice for the nation it amused Thomas

to see the argument flowing back and forth on well known political lines. At last the Prime Minister called a halt to the discussion and said:

"It would appear that despite differences in the operating details the majority are in favor of setting up Departments of this Board for each vital problem area. The Departments are to take overall charge and are to be responsible directly to this Board. Each Department is to be given the power to co-opt such parts of our existing governmental ministries and departments as they require. I take it that this is the view of the National Board. I propose we report it as such to Parliament tomorrow. Once Parliament approves, we can select the Departmental Heads and put the machinery into motion.

"Before we move on to other domestic matters," continued the Prime Minister, "Is there anything else Governor?"

"Yes there is, Prime Minister. As of tomorrow morning I suggest that the Stock Exchange and Foreign Exchange markets be closed until we have a better idea of where we are."

"Do you share this view, Mr. Whitmore?" asked the Prime Minister, seeking another financial opinion.

"Yes, I do. The nation can readily survive a banking holiday particularly if the rest of the country's industry is also closed down. A few years ago Ireland survived a banking strike for many months. I don't suggest we copy the Irish, but there will most likely be a major run on the banking system if we open for business as usual tomorrow. After your speech this evening, Prime Minister, many people will believe the nation is bankrupt. They will be afraid and alarmed. This fear could well be expressed by a feverish rush to withdraw savings from banks and other institutions too. It's not hard for people to reason that if the nation is bankrupt then so must its banking system."

At this moment Jeremy Richardson entered the Cabinet Room and handed a message to the Prime Minister. After glancing at the message the Prime Minister looked up and said:

"My apologies, but it seems that President Whitely is on the telephone and wishes to speak with me most urgently. Perhaps you wouldn't mind taking a short break while I speak with President Whitely. What he has to say could well alter what we are now doing. George Bailey may have persuaded him to have second thoughts about helping us out. If you will excuse me I shall be back as soon as I can."

As the Prime Minister left the room everyone relaxed and began talking

with those sitting near them. Thomas turned to the Governor and said:

"You were quite right to insist on a banking holiday, Governor. I didn't want to push for one too hard as it might appear that I was afraid for my own bank. In actual fact I insisted we went liquid today, so Whitmore's happens to be in excellent shape to withstand a run."

"Yes, I rather gathered that was what you were up to. I received a report earlier today that Whitmore's was liquidating its short term assets. I think you did the right thing commercially. You could be challenged on the basis of dealing on inside knowledge. But I doubt if that is a very serious threat."

"I thought rather a lot about that problem, Governor", Thomas replied. "I left orders for the disposals to be carried out before I left my office for our first meeting this morning. But I do agree that I could be in trouble over it."

"What do you think is on President Whitely's mind, Thomas? I have been in touch with George several times today and he said he was having a very bad time in Washington. It is hard to believe they have suddenly had a change of heart."

"I know, I checked with a friend of mine on Wall Street this evening, and he reported that George Bailey was being turned down wherever he went. If that news was known on Wall Street a few hours ago, most of the world could know of it by now if they wished. I suspect President Whitely has something else on his mind."

"What do you mean?"

"As I see it Governor, the Prime Minister announced to the world this evening that England was not only being attacked by the Mahdi, but that the Mahdi was making a bid to take over the country. The Mahdi hasn't stated his price yet, but I suppose everyone presumes that the price will include paying off of some of our overseas accounts and the restoration of our international credit. Up until the broadcast no one officially knew that the Mahdi was bidding for the U.K. Well, if one country can bid so can another."

"You could be right Thomas," said the Governor slowly. "It won't please the Americans to see the Arabs occupy England. They might get pretty anxious about the possibility all right. They have a colossal amount invested in our industry, And if the Arabs won, then the Americans would lose the lot. Yes, I can see what you're getting at."

"The major worry must be if the Russians or the Chinese think that this is their big chance to get a major foot hold in the Western world. If an international auction started up, there is just no telling what would happen."

"So you think the Americans will go for a private deal to try and shut everyone else out?"

"It's hard to say, isn't it? If they did come to the rescue we could smash the Mahdi once and for all."

"That would depend how they did it, Thomas. Certainly the minute it became public knowledge that America was thinking of bidding, the pound would recover and the Mahdi would be in deep trouble."

"You can't keep this sort of thing secret though," said Thomas. "Whatever the Prime Minister returns and says will be around the country within an hour and the world shortly after that. As a matter of fact, those timings could be reversed. It wouldn't surprise me if this room were bugged so that the rest of the world knew first."

"Surely the security chaps would have screened the room before the meeting." said the Governor looking around with sudden interest.

"Maybe, but there will be a lot of people very anxious to know what is going on in this room tonight. The Mahdi must be particularly interested. And so far he has shown an extensive 'information' gathering service. How did he know our agents were being sent to find him? I can only image that he has infiltrated our security systems and gets all the data he needs."

"Dear, oh dear", sighed the Governor. "Talking about those agents though, I am most sorry for you Thomas. You must be very worried about your Stevens."

"Yes I am," Thomas replied. "I am very worried indeed. I am sure he is one of the agents the Mahdi has captured. Stevens flew into Riyadh early this afternoon. He is known to have arrived at the airport and to have gone by taxi into town. After that he apparently vanished into thin air. How they knew he was an intelligence agent is beyond me. I only discovered that yesterday as you know. But I can only presume he is one of the fifteen that were picked up and are now scheduled for execution."

Chapter 22: 10:20 p.m. London

There was a stir at the door and the Prime Minister walked back into the room. As he moved to his chair and sat down a hush fell over the Cabinet Room. All eyes turned to him as he said:

"I have just had an astonishing conversation with President Whitely. I am not sure how to tell you about it other than by starting at the beginning and repeating, as best I can, the entire conversation.

"The President began by saying how sorry he was that we were in such financial trouble. He had seen George Bailey earlier in the day at a meeting with Vincent Claymore, Secretary of the Treasury and Paul Stoddart, Chairman of the Federal Reserve Board. They had listened to Bailey but just had not been able to believe him when he said it would only take a loan of \$4 billion to get the U.K. over its present difficulties. President Whitely said they reckoned the U.K. already owed the United States some \$50 billions and that even though another \$4 billion wasn't very much, they were unhappy with the whole position.

"I asked the President directly whether the Mahdi had made a special oil deal with the United States to keep them from lending us any more money. The President didn't answer me directly and became quite evasive. He talked about their relationships with all the Arab countries. So I can only conclude that the Mahdi has made a deal with them part of which must be a threat to cut off their oil supplies if they did help us out."

"But surely we could offer the Americans a special deal in our oil." interrupted Leslie Goodman. "It can't be beyond our wits to work out an attractive package. After all if you believe the newspapers we are sitting on an ocean of oil."

"It's not quite as simple as that Leslie," replied the Prime Minister wearily. "President Whitely said that the Mahdi and his people have been doing the rounds of all our international friends making the same arrangements. The OPEC countries have already received such vast revenues from their oil that they can live quite comfortably off the fat of the land for some time. Some of those countries are still spending more than they are earning, but I gather the Mahdi has agreed to pick up their deficits if they should run

into trouble over this attack on the U.K. So in effect, if anyone steps in to help us, their oil gets cut off and no one is going to go to their rescue."

"It's nothing but blackmail" shouted someone.

"Blackmail on an international scale," replied another voice.

The general commotion went on for a few minutes and then calmed down as the Prime Minister began to speak again.

"It is a frightening as well as pitiful state of affairs," said the Prime Minister. "Here we have some of the great nations backmailed by the Mahdi to do more or less what he wants. This is the era of the terrorist and the balckmailer, and blackmail conducted on an international scale is perhaps the world's most powerful weapon. However, let me return to the telephone call.

"After the President had evaded a direct answer about the Mahdi, he went on to tell me that we were going to have a pretty bad time if we rejected the Mahdi's offer and decided to go it alone. The President pointed out that we would have to shut down most of our industry and that if we weren't very lucky with our harvests this summer we could easily starve next winter. It was an unpleasant picture and he apologised for pointing it out in such detail, but he didn't want us to be under any delusions as to how they saw our situation.

"President Whitely then went on to say that it was only a short while ago that Americans had celebrated the two hundredth anniversary of their Declaration of Independence from the British. Although there had been close ties with England over the years, particularly during the two World Wars, the English had now reached a stage when they were no longer able to manage their affairs. He then went on to remind me of the huge investment American business had poured into U.K. industry as well as into its North Sea and other oil developments. Without these vast sums invested by Americans we would never have been able to develop and exploit the oil or have the level of undustrial activity which we have enjoyed for so long.

"At this point the tone of the conversation changed somewhat. For the last few minutes President Whitely had been behaving as though he were reading me a lecture prepared by one of his advisers. I told him so and that if this was all he had to say I had an important meeting to get back to.

"The President said he knew we were holding this special meeting and that

was why he had called. He had been meeting for the last few hours with his National Security Council, his Cabinet, and with party leaders from both houses of Congress. They had resolved upon a course of action and wanted us to have some time to think about it.

"President Whitely said to me," continued the Prime Minister after a pause to make sure he had everyone's attention, "that after full and careful consideration of all the factors involved the United States of America could not afford to have the United Kingdom either accept the Mahdi's offer or go bankrupt. They assumed we would reject the Mahdi. But whether we did or we didn't the United States felt compelled to protect its investments. President Whitely said he was authorised to present to me, in the full knowledge of what they were doing, their own offer.

"So now I report to you, in the words of President Whitely that 'the United States of America has made to the United Kingdom the most generous offer of becoming a fully fledged State of the Union of the United States of America.' I might add that we have been given until midnight Washington time, which is five o'clock in the morning here, to accept this offer."

A shocked hush fell over the Cabinet Room as the Prime Minister stopped talking. Heads were bowed and faces blank as the impact of the offer was felt by each and every one. At last Percy Hartman broke the silence.

"Prime Minister, do I understand you correctly. Did you say that President Whitely has offered to make that United Kingdom the fifty-first state?"

"He didn't mention what number we were to become Percy," replied the Prime Minister. "But you must be right as there are fifty states in the Union right now."

"What incredible cheek!" shouted a voice from the end of the room.

Now that the oppressive silence had been broken, individuals began to reassert themselves. The shock was wearing off. A general murmur of voices took over which was only broken by the occasional outburst.

The Prime Minister chatted quietly with Leslie Goodman, his Foreign Secretary. He wanted everyone to have enough time to digest what he had just told them. It was an appalling situation. On the one hand they were confronted by bankruptcy where in spite of stringent rationing of all food, clothing and factory supplies they still might face mass starvation. On the other hand, it now seemed that there were two choices. Join the Mahdi or join the United States.

"May I have your attention please," called out the Prime Minister. Gradually the room settled down. "It is now just after 10:30 in the evening which is 5:30 in the afternoon in Washington. We have got slightly less than six and a half hours to decide what we are going to do. President Whitely's action now makes it impossible for us to wait for Parliament to meet in the morning. I am very sorry about that. It is not right that we should take these decisions without consulting Parliament. But we have no choice. We can check with how the public at large are reacting to the position as I described it earlier this evening. Other than that the responsibility lies with us."

"Prime Minister," interrupted John Carswell the Liberal leader. "Six and a half hours may not be much time, but it is enough for most of us here to consult with a number of our party members. Could I suggest that we break off this meeting for an hour or so to enable us to get a feel for how our members react to the new position?"

"That is a good idea John. I think we could all do with a break anyway, so why don't we adjourn this meeting until midnight our time. It will give us all a little over an hour to get in touch with whomever we wish. It's not much time, but then no one seems to be giving us much in the way of time these days. Does everyone agree to this proposal?"

There was a general murmur of assent.

"Very well," said the Prime Minister. "We will re-convene here at midnight. Please come prepared to make a decision." So saying the Prime Minister rose and left the room, closely followed by his Cabinet colleagues.

Chapter 23: 10:45 p.m. London (1:45 a.m. Riyadh)

The Shama -the hot desert wind struck with force. Sand flew down the streets and swirled in eddies around corners. People caught out on the streets scurried on their errands, their robes flapping about them.

In the big room of their private house, al-Mahdi sat with Prince Fahd, Abdel-Aziz and Hisham. The wind raged outside and the heat was intense at 108° F. In the room there was no wind and the temperature, though cooler than outside, was ignored. The message had just been received that President Whitely had offered the English to become the fifty-first state.

"Allah yahfazek - May God preserve you - al-Mahdi," said Prince Fahd. "I think it is time to alert Moscow. The Americans are unpredictable. If they take over England they might honor their international debts. We cannot let that happen. It would be disastrous."

"Al-Mahdi, " added Hisham. "Prince Fahd is right. The Russians have agreed not to honor the debts. And in the confusion of a Russian counter-offer we will be able to start covering our positions."

"Allah Maliki yomi d-din - Allah, King of the day of judgement - will preserve us," replied al-Mahdi as he looked in turn deeply into the eyes of the three sitting in front of him. "Your faith is weakening Hisham to talk of covering our positions. It is Allah's will that we wait for the final collapse. Then there will be no need for cover. Islam will be supreme. We will have ground the English into the dust."

"Al-Mahdi," began Abdel-Aziz in a pleading voice. "What will be will be as Allah wills is. The plan allows for the Americans to make this sort of move, but they are doing it more quickly than is convenient. We were to announce our terms to the English and the world tomorrow. Then the Americans and the Russians could move, and in the confusion of their negotiation, time would pass and the collapse would be there for everyone to see. Islam's triumph would be there and all praise to Allah. It is different now that the Americans have made this offer. The Prince is right, al-Mahdi, we must alert Moscow now if they are to beat the Americans' deadline."

"Ma'a s-selame - go in peace, Abdel-Aziz"replied al-Mahdi. "Alert Moscow as you say. Tell them it is Allah's will that they have been chosen

to act this very day. Tell them that we stand by our word and will cut off oil to America at once. Tell them they must move before the American time limit runs out."

Abdel-Aziz rose, bowed to al-Mahdi, turned and left the room. Al-Mahdi closed his eyes, bowed his head and all was quiet. After a while, the Prince broke the silence and said,

"Al-Mahdi, we have placed the fortunes of Islam behind the Holy War. We must not fail or we will be destroyed forever."

"Allah ar-Rahmani, r-Rahim - Allah, the compassionate, the merciful will always protect us."

"It is as you say, al-Mahdi. But if the Russians do not move quickly enough who will stop the Americans?"

"Allah Akbar, Allah Akbar, la-illah illa llah, Prince," replied al-Mahdi.

"Allah is greatest. Allah is greatest. There is no god but Allah. Have faith Prince."

Chapter 24: 10:55 p.m. London, 5:55 p.m. New York

Thomas left Downing Street and walked down the steps to the Horse Guards Parade. Crowds of people had gathered in Downing Street and all around the area. The television crews were inside taking a statement by one of the Prime Minister's aides. Thomas walked on. There wasn't very much anyone could do now. Events were rolling forward at such a pace that you could only sit back and watch the tragedy unfold. The end seemed pretty straightforward now. The U.K. could choose to reject the American offer, but Thomas doubted whether it would make much difference in the end. News of the American offer would spread very quickly. If the Americans could make a counter offer so, presumably, could the Russians or the Chinese or any other country that was so inclined. The auction that Thomas was afraid of had begun. Unlike conventional auctions this one lacked an auctioneer and an agreed set of rules. The bidders could behave as they liked.

Anything could happen now, thought James, as he walked past St. James's Palace and up St. James's Street, and all this could well belong to someone else before long. To think that England had survived invasion and conquest ever since William the Conqueror in 1066.

Thomas passed in front of Brooks. He stopped and decided to go in. Though not a regular in attendance, Thomas had been a member of Brooks for many years. Like other ancient English institutions the business of mens clubs had almost disappeared. Costs had risen and many had to join together to fight off the inevitable ^{closure.} But until that fateful day arrived, they served their purpose of good places to have lunch and to meet business friends and acquaintances. At night they were usually empty, and tonight was no exception. But they were a club, and the bar could stay open long past normal closing hours. Thomas ordered a large malt whisky and passed on to wrestle with the telephone.

Ever since the Prime Minister had told them of his conversation with President Whitely, Thomas had been wondering whether it had been his call to Alex that had triggered off the President's offer. From the speed of the American reaction Thomas doubted whether his call could have had such an

effect. Even in Washington where decisions could be taken quickly if they had to, it still took time to assemble the National Security Council, the Cabinet and the leaders of the Senate and the House of Representatives. When one thought about it this way, it was clear that President Whitely must have been building up to this decision for the last couple of days. He must have seen the handwriting on the wall for quite some time. And when the Mahdi came onto the scene they must have started to draw up contingency plans. I do hope they know what they are doing, thought Thomas, as he waited for the overseas operator to connect him to Alex's phone.

At last the call came through and Thomas asked the girl to find Alex Witter and to tell him Thomas Whitmore was calling on an open line. After a long delay Alex finally came on the line.

"What's up Thomas? Didn't you get my message that I got through to the Chief?"

"Yes I did, and thank you for sending it. No, I just wondered how up-to-date you were on Wall Street these days?"

"Don't be coy Thomas, Wall Street closed down by 4:30 p.m. What on earth is going on?"

"Your friend President Whitely, just spoke with our Prime Minister," Thomas replied. "He countered the Mahdi's attack with the offer to make England the fifty-first State of the Union. The offer expires at midnight your time."

"WOW!"

"Are you still there?" asked Thomas, after a long pause.

"I am indeed, old friend. I was just taking part in an activity that is sometimes referred to as thinking. You said quite a mouthful. And to answer your previous question, no I had not heard this news."

"Well, you have now. But what I would like to know is do you think your call to the Chief, as you call him, had anything to do with him making this offer?"

"I couldn't say. Let me think, though. You called me at about 1:30 in the afternoon and after I finished talking with you it took me about an hour and a half to get through to President Whitely. I had to pull every ounce of pull I have got to get through, but I made it just about 3:20 p.m. our time. The Chief opened up by saying 'whatever I had to say had better be good as he had been dragged from an important meeting.' So I just replied with the information you had given me. We didn't talk for very long. He listened, asked a few questions, then said 'thank you, it was worth it' and

hung up."

"Now that you have made me think about it," Alex continued. "I would guess that I interrupted the President at a Cabinet or National Security Council meeting. They were probably already deep in plans for what to do about England."

"It sounds that way. And thank you for that information. By the way, though, what do you think President Whitely will do if England turns him down?"

"If you think I am going to call him and ask him, you're crazy," replied Alex hotly.

"No. No. Calm down. I said when I called you earlier that we were dealing with political dynamite. Well, as far as I can see, the U.S. offer will appear to others as an invitation to join the game."

"Well Thomas, there is nothing we can do about that one. Somehow I just don't see us in the role in international auctioneer. I know we have got away with that sort of thing with companies in the past. But we only got away with it because we had direct lines to most of the owners."

"I know what you mean, Alex. I just hope the President and his advisers know what they are up to."

"Their track record is none too good," Alex replied. "The National Security Council has made a god-awful mess of some operations in the past as you well know. To give them their due, though, they have had a few successes. And we shall just have to hope they have got it right this time."

"Okay, Alex. Thanks again for your help. If anything else spectacular happens I will let you know."

"Bye for now Thomas, and good luck," said Alex as he hung up and broke the connection.

Well, that's that thought Thomas as he left the telephone and made his way back upstairs to the reading and smoking room. He ordered a pot of coffee and sat down to think. As far as he could see England would soon find itself faced with Russia and possibly China countering the American bid. It just depended on how long it took these governments to make up their minds. Everyone will know we have a deadline of five this morning, so if there is to be another move in this game it has got to happen before then. It's going to be an eventful night, thought Thomas, as he started on his second cup of black coffee.

There was one puzzling item though. And that was the Mahdi's next move. So far the Mahdi had got everything right. He and his Faithful stood to make vast profits out of the fall in Sterling. If England were taken over by the USA, Russia or China, Sterling would recover or would it? Perhaps that is where the Mahdi was at his cleverest. For it was quite possible that even though the USA took England over, they wouldn't necessarily guarantee our debts. Indeed, it was easy to see lots of reasons why the Americans might demand a reorganization of these debts as part of their price for coming to the rescue. And as bankers know, to reorganize debts always means that those who are owed money are only going to be paid a fraction of what they are due.

That must be the answer thought Thomas. Clearly if the Russians or Chinese win they would most likely dishonour all debts. It is so much easier to start again with a clean slate. And neither of those countries would worry about the people who lost out. Debts owed by previous governments were simply forgotten about when the communists took over.

It was getting on for midnight and time he made his way back to Downing Street. Thomas rose and left the now deserted room. As he left Brooks and walked down St. James's a mist had settled over the Palace in front of him. Once again Thomas was struck by the thought that before very long some other country would probably own all this. And the history that went with it. What a strange thing to buy. Equally, how stupid the English were not to have worked hard enough to keep their heritage for themselves.

Chapter 25: 11:55 p.m. London

It was five minutes to midnight when Thomas entered the Cabinet Room. Everyone was already there except for the Prime Minister and his closest colleagues. They were probably still checking reports and discussing plans. Thomas moved round the room until he was beside the Governor, who was talking with John Carswell the Liberal leader.

"Good evening again, Thomas," said the Governor. "I was just telling John here that there is a lot of activity in the foreign exchange markets all of a sudden."

"It must be the Faithful losing their faith starting to cover their short positions," said Thomas. "Has the price gone up much?"

"No, it hasn't. That's the strange part. Like yourself I assumed such an increase in activity could only mean that the bears had heard of a possible American take-over and were running for cover."

"Hmmm. We still could be right, Governor. After all there must have been a lot a people who were still trying to get out of Sterling this afternoon and who couldn't do so as the market dried up. There could have been a big backlog of orders to sell, which are now being taken up."

"You bankers frighten me to death with your endless scheming over money," interrupted John Carswell. "I suppose it will always be so, but it would be a much pleasanter world if we could get rid of all this monetary speculation. I am sure our problems are not completely due to the cunning and greed of speculators. But it would be very easy to believe it was so. Certainly the Press is making a big play on the Gnomes of the Gulf States."

"Ah, here is the Prime Minister", said Thomas as attention was suddenly directed at the door. "I am sorry if it bothers you John, but the Gnomes of the Gulf States most certainly exist and unless we have made a big mistake the head Gnome calls himself the Mahdi."

The Prime Minister made his way to his chair at the head of the table. In a few minutes everyone was seated and a hush fell over the room.

"I am sure you have all been very busy discussing our position with your colleagues," began the Prime Minister. "I know time has been short, but I trust the break has been useful. Before we begin, might I report to you

on two items of importance.

"The first has to do with the phone-in by the public. The broadcasting stations up and down the country have been inundated with calls. To try and cope with the problem most of the radio and television stations have cancelled their regular programmes and are broadcasting the conversations between the callers and their own people answering the telephone calls, so that those watching or listening can take part in a gigantic 'talk in.' Perhaps some of you saw a bit of this during the last hour. Aside from the overwhelming size of the response, the weight of opinion so far is strongly against the Mahdi.

"The second item of importance is most worrying. The Ministry of Defense as well as our various Intelligence departments have reported a marked increase in Russian and American military activity. Specifically, as you may well be aware, for the last ten days there has been a joint NATO naval and air exercise taking place in the North Atlantic. As of the last six hours, the American part of the fleet has broken off its engagement with the exercise and is steaming directly for the U.K. This American flotilla includes three aircraft carriers. These carriers were preparing for a mock marine helicopter invasion of a Norwegian port. The helicopter attack was to be supported by a major airlift of troops direct from the U.S.A. in their giant troop carrier aircraft.

"I repeat, Intelligence reports state that the American fleet has altered course and is steaming on a heading for Scotland. The airborne troops in the United States have gone on full alert, some thirty-six hours ahead of what was intended under the NATO exercise schedule. The Russian ships which always shadow these exercises apparently had trouble making up their minds what to do. Eventually they split into two groups, one of which is chasing after the Americans.

"Other reports indicate that the Russians have put the air forces on their Western front on full alert. I have received assurances from our military experts that the Russians take these precautions when NATO exercises are being held close to their borders. And certainly a marine, helicopter landing in Norway with major United States airlift support qualifies as being close to their borders. Nonetheless the position is that the Western Russian airforces are on full alert."

"Prime Minister," said Percy Hartman, after the full import of what had just been said had time to sink in. "Are you suggesting that the American fleet as well as their airborne troops have been re-routed in order to invade us? Why, it is just incredible to think the Americans would do a thing like that."

"Percy," the Prime Minister replied sombrely. "I don't know what the Americans are intending to do. So far they have broken no rule of the sea or international law. All they have done is to pull a flotilla of ships out of a NATO exercise. We can only presume they have done this with some purpose in mind."

"But that is not good enough," interrupted John Carswell. "We can't just sit here doing nothing if there is the slightest possibility that Percy is right. What about the famous 'hot line' to Washington and to Moscow? Why can't we get President Whitely on the line and ask him what his fleet is up to? If he evades or ducks the issue at least we will know where we stand. But we must ask for categoric assurances that his forces are not aimed at our shores".

"Hear! Hear!" shouted a number of voices from around the table.

"Why haven't we pulled the Royal Navy out to the NATO exercises?" called out another voice.

"Yes, why don't we shadow the Americans. Why leave it up to the Russians?" called another.

"Gentlemen, gentlemen," repeated the Prime Minister, rapping the table for order. "Let me assure you that some of what you suggest has already been done. Hopefully the remainder will be accomplished before long. Specifically, Coastal Command has already got its long range reconnaissance aircraft over the American fleet. Military Intelligence are in constant touch with these aircraft and a round the clock surveillance will be maintained. With regard to the 'hot line' John, I have already put in an urgent call to President Whitely. So far he has declined to answer. The reply we received was that he was in a top level meeting and couldn't be disturbed. I replied that I needed to speak with him most urgently. We have been told that with luck we can expect the President to call us back in about twenty minutes.

"So far I have resisted the notion of calling Moscow. It seems to me that until we know what the Americans intend to do, we really have nothing to say."

"Prime Minister," said Leslie Goodman. "We have been over this before. But I must repeat that I cannot believe the Americans intend to take up arms against us. They have shown us a way out of our financial difficulties by suggesting we become the fifty-first state in the Union. If they expect us to accept their offer, why couldn't we view their approaching naval force as a gesture of protection and good will. Some here seem to believe that this force has been sent with orders to attack. Isn't it much more likely, given our long and close association, that this force has been sent as a token to the rest of the world. If we should accept the American offer, those ships would be there to protect us."

"You could be right," said Michael Lambert. "But what if we decide to turn them down? After all becoming the fifty-first state doesn't appeal to me any more than joining the Mahdi. And forces sent to protect can so very easily be put to other less attractive uses. I don't want to sound alarmist, but we ought to be extremely concerned as to what the Americans are up to."

"What have we done to protect ourselves from a possible attack?" called out Julius Steinhart, the Shadow Defense Minister. "Have we re-called our naval forces taking part in this NATO exercise? Have we put our air defense system on full alert? Or are we merely waiting like lambs for the slaughter?"

"Gentlemen, gentlemen," repeated the Prime Minister as the room quietened down after Steinhart's outburst. "We may well be, as Julius puts it, a lamb going to the slaughter. In front of the American colossus we are a David to their Goliath. I cannot believe that the Americans will attack and invade us. But the possibility exists and our forces have been put on full alert."

"To say that they are on full alert though, does not mean anyone should have much confidence in our ability to withstand attack if such should happen. Our home forces have been stripped of their fighting strength to defend Northern Ireland and to maintain our NATO commitments. Our naval and air defense forces are pathetically weak as successive governments have cut back on defense spending year after year. England today stands as naked as she did in the dreadful autumn of 1939 when Hitler stood at our gates. We are alone, without allies, and with very little in the way of armed forces to defend ourselves with."

"If the Americans have truly turned against us we shall also have lost the cornerstone of our defense capability. The only striking force we have is the

Polaris submarine with its nuclear weaponry. These nuclear missiles are under our exclusive control. And as you all probably know we always have one or more Polaris submarines at sea. But unless we have taken leave of our senses, surely no one would suggest we use these submarines to unleash a nuclear holocaust on America?"

"Prime Minister," interrupted Percy Hartman, "I quite agree. It would be complete madness to threaten the Americans with nuclear war. As you have just said, our whole defense strategy is based upon using American strength and support. If Leslie is right and they have turned against us, then we must face up to the fact that we no longer have a defense strategy or a defense capability."

"Bloody hell," shouted Julius Steinhart, purple with rage. "Are you, our fearless leaders, suggesting we should just lie back and enjoy being raped? We had nothing but guts and determination to stop Hitler with in 1939. Why do we need anything more now?"

With this, the meeting erupted into an angry exchange of views and emotions. Gradually, calmer voices prevailed and a semblance of order was restored. As the possibilities facing the country were discussed, Thomas kept thinking of the Mahdi and his captured partner Timothy Stevens. If the Americans did invade and capture England what would the Mahdi do? According to his latest message, the lives of the captured agents would be forfeit. Not only would the Mahdi probably carry out this threat, but if the Americans invaded England he also stood to win vast sums on the foreign exchange market. It would be against the interest of the conquerors to restore the old value of Sterling. To put the country to rights would take a long time and one way to keep the country under control while the recovery was taking place would be to keep the value of Sterling low. Indeed, Sterling could well be abolished and replaced with U.S. dollars at some very low value.

At this moment there was a knock on the door. Jeremy Richardson entered the room and crossed to the Prime Minister. They had a brief conversation. The Prime Minister then looked up and said:

"President Whitely is available now. I propose to speak with him here in this room. Everyone will be able to hear both sides of the conversation as I have arranged for us to talk using this conference telephone.

"Might I suggest that during the call if anyone has an idea he would like me to use, jot it down on a piece of paper and hand it to Jeremy

Richardson. I will do my best to follow your thoughts, but it is never easy to know in advance how a conversation like this one is going to turn out."

Jeremy Richardson re-entered the room, fiddled with the telephone and speaker for a minute or two. And then suddenly there was President Whitely's voice filling the Cabinet Room with its warm, strong tones.

"Mr. Prime Minister, it's Jim Whitely here. I thought it was a bit late in the night for you folks, but I received the message you wanted to have a talk. What can I do for you?"

"Good evening, Mr. President," replied the Prime Minister. "Thank you for calling back. Before I begin I would like you to know that I am talking to you from the Cabinet Room and that my Cabinet, the Shadow Cabinet, as well as the other party leaders plus their senior colleagues are with me. They are able to hear both sides of our conversation."

"This is the special Cabinet meeting you mentioned in your television talk earlier this afternoon is it?"

"Yes it is."

"Well, I am glad you told me all those good people are listening in. It always helps to keep clear of misunderstandings if you talk to people direct. I am just sorry we haven't got this all hooked up on closed-circuit T.V. We could have seen each other then. Much more friendly. But as I asked before Mr. Prime Minister, what can I do for you?"

"There are a number of things bothering us Mr. President," replied the Prime Minister. "The first is your offer to take over our country. An offer which has not been spelt out in any detail. The second is the behavior of your fleet that was taking part in the NATO exercises. That fleet has broken away from the exercise and is heading straight for Scotland. We are also aware of the increased activity of your airborne troops which were supposed to reinforce the marine landing in the NATO exercise."

"You seem to be pretty well informed Mr. Prime Minister. Our fleet has indeed changed course and our reinforcing airborne troops, as you call them, are indeed already airborne. As a matter of fact most of them have been in the air for about three hours now."

"Well, Mr. President," interrupted the Prime Minister. "Some of my colleagues here are concerned that your air and naval forces might be aimed at us. They are suggesting, and I put it to you quite bluntly, that your offer to take us over isn't an offer at all. It is an ultimatum backed by force."

"Those are hard words Mr. Prime Minister."

"They may be hard, but you haven't answered them," retorted the Prime Minister.

"It is difficult talking like this over the phone. But let me say this, I can understand your concern. The way we see it is that we have to have our air and ground forces on the spot to be able to protect you from hostile action by other parties."

"Mr. President, I am sorry to say this, " replied the Prime Minister. "But you still haven't answered my question. And what you did just say sounded to us here like double talk. Where do you stand Mr. President? Have you launched an invasion of England? Because if you have, be assured that we are not totally without defenses."

"Now, now Mr. Prime Minister. May I please urge you and your colleagues gathered there in the Cabinet Room to keep your temper and stay cool. I am quite aware of what you are asking. I am equally aware of the answer to it. But you got me on to a conference-type call and it is not my style to back down from straight talk.

"Here at the White House it is just 7:30 P.M. in the evening so it must be a half hour after midnight with you. I am sorry we are keeping you up, but when we gave you folks a time limit of midnight tonight our time, we hadn't reckoned on the speed with which other countries would react.

"Just to fill you in a bit, Mr. Prime Minister, we have known all about this Mahdi guy for quite a while now. We weren't sure what he was up to at first. And it's too bad we all had to learn what he wanted to do at your expense. But we can't let him get away with this business. It just isn't right to have someone going around destroying currencies and taking over countries whenever they like.

"When we heard of the first offer by the Mahdi, we decided to sit back and see how the play developed. The trouble was, Mr. Prime Minister," continued President Whitely smoothly, "this Mahdi guy wouldn't leave well enough alone. He began secret talks with the Russians to come in and take over once he had won what he wanted. Well, we couldn't stand by and see you taken out by the Russians, so we moved in with our offer. And a generous one it is at that, We had to cut back on the time limit as we didn't like the risk of waiting until tomorrow."

"You might not like the risk," interrupted the Prime Minister, "but what about us. Hasn't it occurred to you that we can reject your offer? We will

certainly reject the Mahdi. So why shouldn't we reject the U.S.A.?"

"Keep you shirt on son. We like you a lot here in Washington. But you have made such a mess of your country over the last few years, you don't have much of a say in things any more. Don't get riled, Boy, but your opinions just don't matter all that much.

"But to get back to what I was saying. My military advisers didn't like the way things were shaping up, so we decided we could only give you until midnight tonight to agree to join the United States. Since that time the Russians have gotten active. Your boys are probably on to their movements but we sure don't like what we are seeing.

"Just to make sure we did all this in the proper way, I have been meeting for the last hour or so with my National Security Council, my Cabinet and the leader of both Houses of Congress. Time just isn't on our side and we decided we owed you fellas a good deal."

"President Whitely, will you please stop all this talk and tell us what you are doing," interrupted the Prime Minister. "We are sitting here listening to your lecture, but so far you haven't told us a goddam thing we didn't know already. I asked before and I will repeat it again, what are you up to? We haven't taken a formal decision yet, but at the rate you are going I would judge you have lost a lot of votes."

"Well, Mr. Prime Minister," replied President Whitely, slowly his strong voice filling the Cabinet Room. "I am sorry about losing your votes. Politicians are very sensitive about votes. But what I am trying to tell you is that your votes don't really count any more. A little over two hundred years ago we fought and won our independence from the British. Ever since we have had pretty close ties, particularly during two World Wars. Over the last thirty years American business has invested a lot of money in your industry and I must tell you, Mr. Prime Minister, that I have been under a great deal of pressure from business leaders here in Washington to do something about sorting out the mess in your country.

"Mr. Prime Minister, I have been authorized to tell you that we in America are not about to accept the risk of your rejecting our offer. Your countrymen have been made the greatest offer since Churchill offered British citizenship to the French in the dark days of 1940. The French turned Churchill down. You are not going to have that opportunity!

"Mr. Prime Minister, we are not going to stand by watching you wreck your economy and ruin its industrial resources. We have offered you statehood in

the great Union of the United States. We have offered you the opportunities and responsibilities that go with belonging to the greatest nation in the world.

"Mr. Prime Minister, I have been authorized to announce that we have declared your people to be citizens of the United States of America. As such we must protect them. And to enable us to do so effectively our ground and air forces are already on their way.

"Mr. Prime Minister, this action may come as a shock and a surprise to some. But to make sure no one gets hurt, will you please request your Queen, as Commander-in-Chief of all your armed forces to instruct the Chief of your Defense Establishment to order their forces to lay down their arms and not to oppose our troops when they arrive. At this very moment our airborne forces from America backed up by transport helicopters from our bases in Germany are within fifty minutes of landing at all your main civilian and military air bases. Our naval task force, as you know, is only a few hours steaming from your shores. By first light this morning, your time, our troops will have occupied the strategic centers throughout your country.

"Mr. Prime Minister, your only duty now is to keep you countrymen calm and to make sure we avoid bloodshed. Goodnight, and may I welcome you all as citizens of the greatest nation in the world."

END

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